

COUNTY OF STEUBEN, NEW YORK

**Basic Financial Statements
December 31, 2017
Together with
Independent Auditor's Report**

COUNTY OF STEUBEN, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

July 10, 2018

To the Board of Legislators of the
County of Steuben, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Steuben, New York (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Steuben County Industrial Development Agency (the Agency), which represent 58%, 72%, and 11%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2017 the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of contributions – pension plans, and schedule of proportionate share of net pension liability (asset) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor and private purpose trust funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and private purpose trust funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and private purpose trust funds financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

COUNTY OF STEUBEN, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) DECEMBER 31, 2017

The following is management's discussion and analysis (MD&A) of Steuben County's (the County) financial performance, providing a narrative overview of the activities for the fiscal year that ended December 31, 2017. Please read it in conjunction with the County's financial statements, which follow this section. This MD&A focuses on the County, exclusive of the Component Units, however, where relevant, specific reference may be made to that information.

FINANCIAL HIGHLIGHTS

- The County's primary government net position on the government-wide statements totaled \$148,166,923 at the close of the year compared to \$157,693,014 at the end of 2016.
- Of the total primary government net position, \$940,144 or 1% is classified as unrestricted and may be used to meet the County's ongoing obligations compared to \$11,323,515 or 7% at the end of 2016.
- Total net position of the primary government decreased from the previous year by \$9,526,091 and the unrestricted portion decreased by \$10,383,371. This decrease was substantially due to the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75).
- Governmental activities net investment in capital assets increased \$2,097,514 for a total of \$110,255,984 at the end of 2017.
- Governmental activities decreased the County's net position by \$10,710,891 or 7.4% compared to the 2016 increase of \$6,377,960 or 4.6%. The governmental activities net position at the end of 2017 was \$134,294,127.
- Business-type activities include the Solid Waste Operations. Business-type activities net position at the end of 2017 was \$13,872,796 compared to \$12,687,996 at the end of 2016.
- The Solid Waste Operations experienced a gain of \$1,693,156 from operations compared to a gain of \$109,989 in 2016. Non-Operating Activities generated revenue of \$82,191 in 2017 compared to \$7,348 in 2016. Total net position increased by \$1,775,347 combined with a reduction from a prior period adjustment related to the implementation of GASB 75, which resulted in a balance of \$13,872,796 at the end of 2017.
- At December 31, 2017, the County had total debt, excluding the Steuben Tobacco Asset Securitization Corporation (STASC), of \$6,440,000 consisting of the bonds for the refunding of the construction of an expansion of the jail facility and the bonds issued to partially finance the construction of a new office building and new records storage facility.
- At December 31, 2017, STASC had total bonds, net of bond premiums, bond discounts and accretion, of \$35,872,187, which are securitized by future tobacco settlement payments.
- The government-wide "Current Ratio," which is an indicator of liquidity, for governmental activities was 3.8 at the end of 2017 and 3.6 at the end of 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the County's financial statements. The financial statements include both the government-wide and fund financial statements, which present different views of the County. The financial statements also include the notes, which provide more detail and explanations of the financial data. Required Supplementary Information follows the Notes to the Financial Statements.

Government-Wide Financial Statements

Consists of the Statement of Net Position and the Statement of Activities. These statements together provide a broad overview with a long-term focus on the County's finances as a whole and are presented in a manner similar to private-sector companies using the full-accrual basis of accounting.

The Statement of Net Position presents information on all of the County's assets or deferred outflows of resources and liabilities or deferred inflows of resources, with the difference reported as net position. Over time, changes in net position may be a useful indicator of whether the County's financial health is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period, such as uncollected taxes and earned but unused vacation and sick leave.

Both government-wide financial statements distinguish between functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, education, public safety, health, transportation, economic assistance & opportunity, culture & recreation, and home & community services. The business-type activities of the County include the Solid Waste Operations. Worker's Compensation, an internal service fund, consists predominantly of business-type activity.

- **Component Units**

Legally separate organizations for which the elected officials of the primary government are financially accountable. A description of the component units and addresses for obtaining their separately issued financial statements can be found in the Notes to the Financial Statements. The Steuben County Industrial Development Agency and the Steuben County Soil and Water Conservation District are displayed in separate, discrete columns on the government-wide financial statements to emphasize their legal separation from the County. The Steuben County Tobacco Asset Securitization Corporation presentation is blended with the County's governmental activities.

- **Fund Financial Statements**

Provide detailed information about individual major funds, not the County as a whole. A fund is a fiscal/accounting entity with a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into three categories, each of which uses a different accounting approach: governmental funds, proprietary funds, and fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and county road fund, which are considered to be major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the combining statements elsewhere in this report.

The County adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the general fund and for each major individual fund to demonstrate compliance with this budget.

- **Proprietary Funds**

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its landfill operations. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for workers' compensation.

Proprietary funds provide the same type of information as the government-wide financial statements using the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the Solid Waste Operations, which is considered to be a major enterprise fund of the County.

- **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Reconciliation Between Government-Wide and Fund Statements

The financial statements include schedules that reconcile the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements but they are expenditures on the governmental fund statements.
- Repayments of long-term debt reduce long-term liabilities on the government-wide statements but they are expenditures on the governmental fund statements.

Notes to the Financial Statements

Provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

Consists of the Management Discussion and Analysis, the pension and other post-employment benefits schedules, and budgetary comparison schedules, which demonstrate compliance with legally adopted and modified budgets.

Government-Wide Summary of Net Position

Net position may serve over time as a useful indicator of a government's financial position.

	Statement of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets (unrestricted)	\$ 155,204,864	\$ 141,411,855	\$ 17,169,800	\$ 13,674,641	\$ 172,374,664	\$ 155,086,496
Assets whose use is limited	1,839,796	1,855,012	-	38,668	1,839,796	1,893,680
Capital assets, net	116,815,984	111,153,470	13,040,164	14,244,188	129,856,148	125,397,658
Total Assets	<u>\$ 273,860,644</u>	<u>\$ 254,420,337</u>	<u>\$ 30,209,964</u>	<u>\$ 27,957,497</u>	<u>\$ 304,070,608</u>	<u>\$ 282,377,834</u>
Deferred Outflows of Resources	<u>\$ 18,755,154</u>	<u>\$ 25,427,418</u>	<u>\$ 560,143</u>	<u>\$ 813,467</u>	<u>\$ 19,315,297</u>	<u>\$ 26,240,885</u>
Current liabilities	\$ 41,373,330	\$ 39,123,766	\$ 574,874	\$ 484,329	\$ 41,948,204	\$ 39,608,095
Non-current liabilities	113,322,312	91,184,245	16,214,142	15,453,565	129,536,454	106,637,810
Total Liabilities	<u>\$ 154,695,642</u>	<u>\$ 130,308,011</u>	<u>\$ 16,789,016</u>	<u>\$ 15,937,894</u>	<u>\$ 171,484,658</u>	<u>\$ 146,245,905</u>
Deferred Inflows of Resources	<u>\$ 3,626,029</u>	<u>\$ 4,534,726</u>	<u>\$ 108,295</u>	<u>\$ 145,074</u>	<u>\$ 3,734,324</u>	<u>\$ 4,679,800</u>
Net investment in capital assets	110,255,984	108,158,470	13,040,164	14,244,188	123,296,148	122,402,658
Restricted	23,930,631	23,966,841	-	-	23,930,631	23,966,841
Unrestricted	107,512	12,879,707	832,632	(1,556,192)	940,144	11,323,515
Total Net Position	<u>\$ 134,294,127</u>	<u>\$ 145,005,018</u>	<u>\$ 13,872,796</u>	<u>\$ 12,687,996</u>	<u>\$ 148,166,923</u>	<u>\$ 157,693,014</u>

Net position totaled \$148,166,923 in 2017 compared to \$157,693,014 in 2016. Governmental activities comprise 91% of the total net position with \$134,294,127 in 2017 compared to 92% or \$145,005,018 in 2016. Business-type activities have total net position of \$13,872,796 in 2017 compared to net position of \$12,687,996 in 2016. Governmental unrestricted net position decreased to \$107,512 in 2017 compared to \$12,879,707 in 2016. The bulk of the decrease in unrestricted net position is due to the implementation of GASB 75, which accounts for the liability associated with post-retirement health care benefits for County employees.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

GASB 75 requires that a liability for OPEB (Other Post-Employment Benefit) obligations, known as the net OPEB liability (NOL), be recognized on the balance sheet and that OPEB expense be recognized in the statement of activities. The implementation of GASB 75 in 2017 resulted in a prior period adjustment to net position of approximately \$19,773,000 in governmental activities and \$591,000 in business-type activities. Current year GASB 75 expense is about \$6,960,000 in governmental activities and \$208,000 in business-type activities.

The largest component of the County's total net position, \$123,296,148 or 83% (\$122,402,658 or 78% in 2016) reflects investments in capital assets (land, buildings, equipment, roads, and bridges less accumulated depreciation) net of any related debt. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position comprises \$23,930,631 or 16% of the total net position compared to \$23,966,841 or 15% of the total net position in 2016. These assets are subject to constitutional, legal, or external constraints on how they may be used. The decrease in governmental restricted net position is primarily related to spending of some of the restricted assets, primarily for building repair and maintenance. Business-type restricted net position was \$0 in both 2017 and 2016.

The balance of unrestricted net position of \$940,144 (\$11,323,515 in 2016) represents the net position which may be used to meet the County's ongoing obligations, though certain laws and internally imposed designations of resources may result in the future restriction of net position that is currently designated as unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statement of Activities and Change in Net Position

The Government-Wide Statement of Activities reflects the results of operations in the governmental and business-type functions. The following condensed financial information was derived from the government-wide statement of activities and reflects how the County's net position changed during the fiscal year.

	Statement of Activities As of December 31,					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues	\$ 69,302,651	\$ 70,700,381	\$ 7,713,000	\$ 6,336,252	\$ 77,015,651	\$ 77,036,633
General revenues	79,335,199	76,491,341	-	-	79,335,199	76,491,341
Other nonproperty tax items	25,304,488	25,850,365	-	-	25,304,488	25,850,365
Interfund transfers	-	-	-	-	-	-
Miscellaneous	5,120,539	5,666,030	44,357	7,718	5,164,896	5,673,748
TOTAL REVENUE	179,062,877	178,708,117	7,757,357	6,343,970	186,820,234	185,052,087
Expenses:						
General government	32,706,312	33,766,258	-	-	32,706,312	33,766,258
Education	8,290,529	8,469,724	-	-	8,290,529	8,469,724
Public safety	23,181,552	23,033,463	-	-	23,181,552	23,033,463
Health	14,508,533	14,893,368	-	-	14,508,533	14,893,368
Transportation	26,210,528	25,144,938	-	-	26,210,528	25,144,938
Economic asst & opportunity	61,280,342	63,148,273	-	-	61,280,342	63,148,273
Culture and recreation	646,995	640,423	-	-	646,995	640,423
Home and community	910,906	924,410	5,982,010	6,226,633	6,892,916	7,151,043
Interest and amortization expense	2,264,923	2,309,300	-	-	2,264,923	2,309,300
TOTAL EXPENSES	170,000,620	172,330,157	5,982,010	6,226,633	175,982,630	178,556,790
Increase (decrease) in net position	<u>9,062,257</u>	<u>6,377,960</u>	<u>1,775,347</u>	<u>117,337</u>	<u>10,837,604</u>	<u>6,495,297</u>
Net position, beginning of year, as previously reported	<u>145,005,018</u>	<u>138,627,058</u>	<u>12,687,996</u>	<u>12,570,659</u>	<u>151,197,717</u>	<u>151,197,717</u>
Prior period adjustments:						
Cumulative effect of change in accounting principle	(19,773,148)	-	(590,547)	-	(20,363,695)	-
Beginning net position, restated	<u>125,231,870</u>	<u>138,627,058</u>	<u>12,097,449</u>	<u>12,570,659</u>	<u>137,329,319</u>	<u>151,197,717</u>
Net position, end of year	\$ 134,294,127	\$ 145,005,018	\$ 13,872,796	\$ 12,687,996	\$ 148,166,923	\$ 157,693,014

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental activities decreased the County's net position by \$10,710,891 or 7% in 2017 compared to an increase of \$6,377,960 or 4% in 2016. This change is comprised of the negative GASB 75 related prior period adjustment of about \$19,773,000 (discussed previously) partially offset with a current year increase in net position of about \$9,062,000. Total revenue in 2017 was approximately \$179,000,000, which is only about \$300,000 more than the \$178,700,000 in 2016. In 2017 expenses decreased about \$2,300,000 to approximately \$170,000,000 compared to about \$172,300,000 in 2016.

Although there is only a slight change in total governmental activities revenue compared to 2016, there is more significant fluctuation in the individual components of revenue. There is an increase of about \$2,200,000 in sales tax receipts in 2017 compared to 2016, an increase of about \$666,000 in real property taxes and related property tax items, and an increase of about \$350,000 in interest earnings. These increases are offset by approximately \$1,400,000 decrease in program revenues and about \$970,000 decrease in miscellaneous revenue. The bulk of the decrease in program revenues is within the Public Safety category which decreased just over \$1,000,000. Public safety revenue decreased as a result of a decline in federal inmate revenues at the jail, decreases in law enforcement fees and reimbursement from the New York State Court System for court security services. The decrease in miscellaneous revenue is primarily due to the 2016 receipt of about \$1,600,000 of a prior year's Upper Payment Limit Intergovernmental transfer for the closed Health Care Facility for which no payments were received in 2017. This decrease is partially offset with increases in 2017 refund of prior years' expenses revenue within the mental health program.

The \$2,329,537 decrease in expenses in 2017 compared to 2016 is a 1.0% decrease from the 2016 expense total. The largest decreases are the health and economic assistance and opportunity items. The health category decreased as a result of decreased costs in special children's services, early intervention and mental health services. The largest decreases within the economic assistance and opportunity category are within Medicaid, services for recipients and temporary aid to needy families (TANF).

Business-type Activities

Net position from the business-type activities, the Solid Waste Operations, increased \$1,184,800 in 2017 compared to an increase of \$117,337 in 2016. The Solid Waste Operations operating revenue increased to about \$7,600,000 in 2017 compared to approximately \$6,300,000 in 2016. This increase in revenue resulted from an increase in general refuse of approximately 40,000 tons which was received from several different sources. Solid Waste Operations operating expenses decreased by about \$245,000 in 2017 compared to 2016 (\$5,982,010 in 2017 and \$6,226,633 in 2016). The most significant declines in costs are salary and fringe, environmental monitoring and contracted labor.

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds

The focus of the County's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	2017					2016				
	General	County Road	Capital Projects	Nonmajor	Total	General	County Road	Capital Projects	Nonmajor	Total
Nonspendable	\$ 2,016,636	\$ -	\$ -	\$ -	\$ 2,016,636	\$ 1,714,301	\$ -	\$ -	\$ -	\$ 1,714,301
Restricted	9,131,686	-	12,959,149	1,839,796	23,930,631	9,476,771	-	5,390,023	1,855,012	16,721,806
Assigned	9,454,674	2,191,207	-	1,185,665	12,831,546	7,522,397	1,036,861	-	2,141,097	10,700,355
Unassigned	62,876,811	-	-	-	62,876,811	62,705,648	-	-	-	62,705,648
	<u>\$ 83,479,807</u>	<u>\$ 2,191,207</u>	<u>\$ 12,959,149</u>	<u>\$ 3,025,461</u>	<u>\$ 101,655,624</u>	<u>\$ 81,419,117</u>	<u>\$ 1,036,861</u>	<u>\$ 5,390,023</u>	<u>\$ 3,996,109</u>	<u>\$ 91,842,110</u>

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$101,655,624, an increase of \$9,813,514 in comparison with the prior year. Unassigned fund balance, which is available for spending at the County's discretion, constitutes approximately 62% of the total. Assigned fund balance represents the amounts the County intends to use for specific purposes. The assigned balance of \$12,831,546 (13%) is comprised of; 1) the residual balance in the governmental funds exclusive of the general fund (\$2,260,516), 2) amounts appropriated for the 2018 budget (\$7,000,378), 3) \$3,000,000 intended to be used for large self-funded health insurance claims, and 4) the value of open purchase orders at year end (\$570,652). Restricted fund balance of \$23,930,631 (24%) is not available for new spending because it has already been designated by an outside source or through the establishment of reserves; 1) to pay debt service (\$1,839,796), 2) to pay potential future insurance claims (\$3,506,922), 3) to pay for future facility and equipment repair and renovations (\$4,672,351), 4) to pay for capital projects (\$12,959,145) and 5) for a variety of other special purposes (\$952,412). The nonspendable portion of fund balance is comprised of inventory and prepaid expenses.

The General Fund is the primary operating fund of the County.

The general fund unassigned fund balance increased by \$171,163 or .3% in 2017 compared to an increase of \$7,331,342 or 13% in 2016. In 2017, the unassigned fund balance equaled 75% of the total fund balance compared to 77% in 2016.

In 2017, \$6,340,378 of the assigned general fund balance was allocated to fund 2018 appropriations compared to \$5,898,628 for 2017 appropriations in 2016.

Total fund balance for the general fund increased by \$2,060,690 or 2.5% in 2017 compared to an increase of \$6,477,784 or 8.6% in 2016. Total general fund revenues were more in 2017 than 2016 by \$1,358,277 (\$148,341,320 in 2017 and \$146,983,043 in 2016). The largest increase of about \$1,600,000 is within the other non-property tax items category and, as discussed previously, is almost entirely related to sales tax. Another increase of about \$1,100,000 is within the real property tax line. The increase in real property tax within the general fund is substantially offset by decreases in the tax levy in the highway and highway machinery funds. Miscellaneous revenue is about \$1,200,000 less in 2017 due to the Intergovernmental Transfer received in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

General Fund expenditures decreased \$1,375,242 in 2017 compared to 2016. Total general fund expenditures were \$137,599,173 in 2017 compared to \$138,974,415 in 2016. The bulk of this decrease (\$1,300,000) is within the economic assistance category. The main items of decreased costs were discussed previously and are Medicaid, services for recipients and temporary aid to needy families (TANF). Transfers to other funds are about \$8,700,000 in 2017 and only about \$1,500,000 in 2016. The 2017 transfers include almost \$5,000,000 transferred toward the construction of the new office building and records storage building, \$269,000 to establish a project for replacement of electronic voting machines, \$300,000 to establish a capital project to purchase Storage Area Networks, and \$350,000 to establish a project to upgrade the Electronic Health Records software used by the Community Services division.

The County Road Fund is the second major County fund based on revenue.

The County Road fund has a total fund balance of \$2,191,207 representing a 111% increase from the 2016 fund balance of \$1,036,861. Total revenues were up by about \$290,000 in 2017 when compared to 2016 which is comprised of a small increase in state aid and a small decrease in real property taxes. Total expenditures decreased by about \$335,000 compared to 2016. The majority of the decrease in expenditures stemmed from lower personnel costs.

In 2017 the Capital Projects Fund is also a major County fund based on asset size. It was not considered a major fund in prior years.

The Capital Projects fund has a total fund balance of \$12,959,149, which is an increase over 2016 of 140%. The major driver of the increase is within the other financing sources and uses, which totaled almost \$13,000,000 in 2017 compared to about \$1,800,000 in 2016. The \$4,000,000 bond issue accounts for almost a third of the 2017 total while transfers from the General fund make up the remainder. As discussed above, the transfers from the General Fund into the Capital Projects fund are for the new office building and records storage building as well as for several different technology projects. Capital Projects fund expenditures in 2017 totaled about \$7,800,000 compared to about \$3,900,000 in 2016. The increase is primarily related to the building projects.

Financial Analysis of Proprietary funds

The County proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail.

The Solid Waste Operations had net position of \$13,872,796 at the end of 2017 compared to \$12,687,996 at the end of 2016. The increase in net position of \$1,184,800 (9%) is comprised of a current year change in net position of \$1,775,347 and a negative prior period adjustment related to the implementation of GASB 75 of \$590,547. The results for the past five consecutive years are as follows:

2016	\$ 117,337
2015	(\$ 1,227,957)
2014	(\$ 275,341)
2013	\$ 456,032
2012	\$ 689,012

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

General Fund Budgetary Highlights

Appropriation budget adjustments increased the original budget by \$13,341,444 or 9% compared to \$8,665,950 or 6% in 2016. Please contact the County for a separately issued report with detailed budget comparisons. Changes in appropriations are summarized as follows:

Budget Comparison General Fund For the Year Ended December 31, 2017							
					Expenditures Budgetary Basis		Variance with Modified Budget
	Original	Modified	Difference	% Change	Actual	Encumbrance	
Expenditures							
General government	\$ 27,625,936	\$ 34,633,759	\$ 7,007,823	25.37%	\$ 30,967,727	\$ 28,202	\$ 3,637,830
Education	8,870,000	8,870,000	-	0.00%	8,290,529	-	579,471
Public safety	20,626,235	21,923,438	1,297,203	6.29%	20,773,841	72,589	1,077,008
Health	14,966,535	15,105,039	138,504	0.93%	14,125,753	254	979,032
Transportation	415,500	418,500	3,000	0.72%	418,331	-	169
Economic assistance and opportunity	68,188,650	66,209,208	(1,979,442)	-2.90%	60,638,373	11,065	5,559,770
Culture and recreation	638,686	644,296	5,610	0.88%	604,776	2,185	37,335
Home and community services	1,292,831	1,939,076	646,245	49.99%	1,110,593	-	828,483
Employee benefits	335,850	-	(335,850)	-100.00%	-	-	-
Debt services	669,250	669,250	-	0.00%	669,250	-	-
TOTAL APPROPRIATED EXPENDITURES	143,629,473	150,412,566	6,783,093	4.72%	137,599,173	114,295	12,699,098
Transfers Out	2,110,746	8,669,097	6,558,351	310.71%	8,681,457	-	(12,360)
TOTAL APPROPRIATIONS & EXPENDITURES	\$ 145,740,219	\$ 159,081,663	\$ 13,341,444	9.15%	\$ 146,280,630	\$ 114,295	\$ 12,686,738

Explanation of Significant Budget Modifications:

- The current year General Fund budget was increased by \$123,769 to fund encumbrances issued in 2016.
- In 2017, \$305,000 or 24% (\$168,000 or 13% in 2016) of the contingency budget of \$1,300,000 established for unforeseen purposes was allocated. The two most significant transfers were to the jail for medical supplies (\$110,000) and to the District Attorney to fund operating expenditures related to costly trial preparation and presentation (\$100,000).
- The greatest modification from budget was in the general government expense. This is driven primarily by the increase in cash payments of sales tax to other municipalities based on the 2015 inter-municipal agreement. Both the expense and revenues lines for these payments were increased by \$6,100,000.
- The second largest increase from original budget to modified budget was in the public safety line. This line was increased about \$400,000 to reflect Homeland Security grants and other public safety grants. Both the Sheriff road patrol and jail budget increased about \$400,000 each in personnel costs as well as contractual lines.
- The decrease in budget within the Economic assistance and opportunity category was approximately \$2,300,000. The majority of this decrease is because budgeted salary and fringe lines from this category were not needed as several vacant positions were not filled. This excess budget was used in other areas where vacancies were filled or long term employees retired and hence additional salary and fringe budget were required. An additional area of budget decrease was within the equipment lines. A budget of about \$700,000 was used to establish a capital project for technology to enhance mobile computing and an additional \$300,000 was reduced from the Safety Net budget to establish the capital project for the Storage Area Network capital project.
- The increase of approximately \$6,600,000 in Transfers out is related to the increase in capital projects discussed previously.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

General Fund Final Budget Compared to Actual Expenditures and Revenues

- Actual revenues exceeded the final-modified revenue budget by approximately \$1,732,000 or 1.2% (\$1,224,000 or .8% in 2016). The more significant revenue budget variances included: about \$4,400,000 more sales tax received than anticipated offset by a shortage of federal revenue of about \$2,835,000 primarily within the department of social services and the community development block grant.
- The final-appropriation budget exceeded actual expenditures by approximately \$12,800,000 or 8% (\$11,715,000 or 8% in 2016).
- General government actual costs were less than budgeted by about \$3,600,000. The largest variances were: 1) unspent contingency funding of about \$995,000 2) underspent judgements and claims budget of about \$216,000 3) unspent public defender grants of about \$407,000, underspent District Attorney budget of about \$347,000 and 4) underspent costs associated with tax acquired property of about \$414,000.
- Public safety expenditures were approximately \$1,077,000 less than the modified budget. The largest variances were: 1) about \$195,000 within E-911, about \$263,000 for the Sheriff, about \$148,000 within probation, \$191,000 within the jail and, unspent Homeland Security grants of about \$158,000.
- As is typical, the largest variance of actual spending compared to budgeted spending is within the economic assistance and opportunity service area. The total underspending in this category was approximately \$5,560,000 and most of this variance was for department of social services programs. The largest piece was for administration which was less than budget by about \$1,440,000. The largest program variances were: about \$780,000 in services for recipients, \$458,000 in Medicaid spending, \$683,000 in temporary assistance to needy families, \$826,000 in foster care, \$634,000 for the safety net program, and \$229,000 for home energy assistance services. Programs for the aging were underspent by about \$244,000.

Capital Asset and Debt Administration

• **Capital Assets**

The County's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of December 31, 2017 totaled \$129,856,148 compared to \$125,397,658 in 2016. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure (highways and bridges), and construction in progress. The major investments in capital assets in 2017 were for additional investments in infrastructure (road and bridges), the construction in progress related to the new County buildings, and equipment (including construction equipment and technology). Please refer to Note 5 in the Notes to the Basic Financial Statements in this report for additional information on the County's capital assets.

• **Long-Term Debt**

At December 31, 2017, excluding the STASC, the County had total debt obligations of \$6,440,000 compared to \$2,995,000 at the end of 2016. The STASC had debt of \$28,657,790 (\$28,657,790 in 2016) which is securitized by future tobacco settlement payments. Please Refer to Note 11 of the Notes to the Basic Financial Statements in this report for additional information on the County's debt.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Economic Outlook

- **Health Care Costs**

The cost of fringe benefits has grown significantly since 2008. Exclusive of the impact of GASB 68 and GASB 75, the County average fringe rate on salary dollars was 43% in 2008 and is over 56% in 2017. The equivalent premium for the self-funded health insurance plan has increased 44% since 2008. Individual coverage equivalent premium was \$378.09 per month in 2008 and is \$543.39 in 2017 and family coverage moved from \$1,131.98 in 2008 to \$1,626.45 in 2017.

Implementing GASB 75 and recognizing the significant liability related to the Other Post-Employment Benefits offered by the County has provided the impetus to further evaluate health care costs. Given the ever increasing cost of health care and the longer life-spans of retirees, the costs of fringe benefits and post-retirement health care benefits will continue to increase. In 2017 there were approximately 450 retirees and retiree spouses receiving County sponsored health care coverage and 16% of these retirees were aged 80 and over. The post-retirement cost will be increasing as the current "baby-boomer" employees continue to retire. In 2017 approximately 23% of the 820 active employees were eligible to retire. Not only do these pending retirements equate to a significant loss in institutional knowledge (conservatively 3,785 years), the County will subsidize their healthcare for the remainder of their lives. The associated budget appropriations necessary for this health care will steadily increase in future years. Based on estimates of retirements and health care costs from the 2017 GASB 75 valuation report, the projected payments by the County for providing post-retirement healthcare under the current plan design will increase from about \$1.5 million per year in 2017 to over \$2 million per year in five years and to almost \$2.6 million in another four years (2026). It is important that the County plan for these escalating costs and attempt to decrease the rate of growth in these health care costs to ameliorate the impact on annual budgetary appropriations.

- **Employment**

In November of 2015, Kraft Heinz announced that the Kraft cheese factory in Campbell would be closed or sold. In February of 2017, 380 Kraft employees received the required 90-day notice that the plant would close and layoffs began on May 26. In June 2017 it was announced that Upstate Niagara Cooperative would be acquiring the Campbell plant. Upstate Niagara Cooperative is a farmer owned cooperative and the acquisition is intended as a long term commitment to the plant by the cooperative. In addition, Kraft-Heinz committed to an ongoing investment of \$3 to \$5 million to maintain and improve the plant in Campbell.

The County unemployment rate remained steady at 5.8% in both 2017 and 2016. That being said, employment at three of the larger private employers within the County increased between 2017 and 2016. Alstom in Hornell had 870 full time employees at the end of 2017 compared to 720 at the end of 2016 (975 in 2007). Corning Inc. New York State employment grew to 6,049 in 2017 compared to 5,781 in 2016 (4,800 in 2007). Gunlocke in Wayland had 726 full-time employees in 2017 compared to 638 in 2016 (791 in 2007). There are no known significant employee layoffs or significant employee hiring contemplated at any major County employer in the near future.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- **Budget Challenges**

Two specific state-mandated initiatives, changes in indigent defense and Raise the Age, will pose significant challenges for the County in upcoming years. The County has been anticipating changes in the indigent defense system for a number of years, specifically since the state and five counties settled the Hurrell-Harring lawsuit. The Public Defender, District Attorney, County Attorney, Magistrates, and Steuben County Bar Association are collectively working to develop a state-required plan for compliance by the end of the year. While implementation of the plan is not required until 2023, significant and costly action will be required, likely at the expense of county taxpayers. In the event creative solutions are developed for the provision of counsel at every arraignment, a large operational burden will be placed upon legal staff, law enforcement, and the court system. In addition, new facilities may be required for holding arrestees prior to arraignment. When coupled with more restrictive caseload standards for attorneys, the County will be forced to hire additional staff to comply. Current projections of state funding support demonstrate that the counties will largely be absorbing the costs, starting in the next few years.

Even more pressing in the short term is the implementation of Raise the Age, which is state law changing the criminal processes for 16 and 17 year olds, treating them in a separate and distinct manner from those that are 18 and older. While laudable in purpose, it will place significant pressure upon county operations, specifically for Social Services, Probation, and the Law Department. The NYS Office of Children and Family Services estimate that between 10 and 15 children who would normally be remanded to a jail setting will require specialized secure detention services. At present, there are no facilities in the region that could accommodate such a need, and the state is pushing counties to take a regional approach and construct new detention facilities. Whether it's the capital costs of such a facility, or the daily cost paid to an outside site for placement, the County will be required to absorb additional expenses. While the law requires the state to reimburse counties for all costs related to Raise the Age, to be eligible, counties must comply with the tax cap each year. This is a bizarre mandate as it is state requirements that drive County budget increases. In addition, the state has been less than transparent about if and how capital costs will be reimbursed. This law, which will be implemented in the fall of 2018 presents great concern for future years.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

2018 Budget

The total proposed budget for 2018 is \$190,847,579 representing an increase of \$13,085,606 or 7.4% in total expenditures. The 2018 budget summary is presented below with a comparison to the original 2017 budget.

BUDGET SUMMARY

	<u>2018 Budget</u>	<u>2017 Budget</u>	<u>Difference</u>	<u>% Change</u>
EXPENDITURES:				
GENERAL GOVERNMENT SUPPORT	\$ 34,515,700	\$ 27,625,936	\$ 6,889,764	24.94%
EDUCATION	9,416,000	8,870,000	546,000	6.16%
PUBLIC SAFETY	21,236,673	20,626,235	610,438	2.96%
HEALTH	14,974,871	14,966,535	8,336	0.06%
TRANSPORTATION	26,408,578	26,714,254	(305,676)	-1.14%
ECONOMIC ASSISTANCE/OPPORTUNITY	67,690,097	68,188,650	(498,553)	-0.73%
CULTURE & RECREATION	694,314	638,686	55,628	8.71%
HOME & COMMUNITY SERVICES	1,531,010	1,492,831	38,179	2.56%
UNALLOCATED EMPLOYEE BENEFITS	675,000	335,850	339,150	100.98%
DEBT SERVICE	1,114,350	669,250	445,100	66.51%
INTERFUND TRANSFERS	2,017,358	2,125,746	(108,388)	-5.10%
PUBLIC WORKS	10,573,628	5,508,000	5,065,628	91.97%
TOTAL	<u>\$ 190,847,579</u>	<u>\$ 177,761,973</u>	<u>\$ 13,085,606</u>	7.36%
REVENUES:				
REAL PROPERTY TAXES & RELATED ITEMS	\$ 53,862,328	\$ 53,830,982	\$ 31,346	0.06%
NON PROPERTY TAXES	47,411,515	39,854,515	7,557,000	18.96%
DEPARTMENTAL INCOME	19,492,861	17,986,687	1,506,174	8.37%
INTERGOVERNMENTAL CHARGES	2,219,697	2,197,858	21,839	0.99%
USE OF MONEY & PROPERTY	2,502,300	2,501,700	600	0.02%
MISCELLANEOUS	1,037,946	1,282,743	(244,797)	-19.08%
INTERFUND REVENUES	4,262,543	4,300,266	(37,723)	-0.88%
STATE AID	26,567,914	26,574,322	(6,408)	-0.02%
FEDERAL AID	21,960,886	21,782,082	178,804	0.82%
APPROPRIATED RESERVES	840,083	892,190	(52,107)	-5.84%
TOTAL	<u>\$ 180,158,073</u>	<u>\$ 171,203,345</u>	<u>\$ 8,954,728</u>	5.23%

The two categories with the largest increase in budgeted expenditures in 2018 compared to 2017 are general government support at \$6,889,764 and the landfill at \$5,065,628. The two revenue categories with significant increases in the 2018 budget compared to the original 2017 budget are non-property taxes and departmental income. The appropriated surplus also increased between the 2017 and the 2018 budget years.

The large increase in general government support expenditures and the non-property tax revenue lines are both caused by correctly budgeting for the intergovernmental sales tax sharing agreement that began in 2015. As a result of this agreement, the County receives payment from New York State for all of the sales tax collected in the County and then pays a portion of the collected amounts to the cities, towns and villages. The GASB requires that the receipts from the State be recorded as revenue and the payments to the towns be recorded as expenditures. The 2017 budget should have been increased to reflect the agreement signed in late 2015. This was missed during the 2017 budget preparation and corrected in the 2018 budget.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

2018 Budget (Continued)

The large increase in the landfill expenditure line is primarily driven by the planned 2018 construction of a new landfill cell (Cell 4). The landfill budget is cash based. The estimated cost of construction to be incurred in 2018 (\$4,800,000) is budgeted as an expenditure using a landfill capital project. The actual cost of construction is capitalized at year end along with other accrual entries. The increase in departmental income is also driven by the landfill. As discussed previously, landfill revenue increased sharply in 2017. The 2018 revenue budget for the landfill reflects this increase in refuse being deposited in the County landfill. Lastly, the majority of the increase in appropriated surplus (about \$3,700,000) is being appropriated from the landfill to cover the bulk of the cost of the construction of Cell 4. The County general fund accounts for the remaining increase in the use of appropriated surplus intended to fund the 2018 debt service related to the new office building.

The budgeted tax levy decreased by \$10,859 (.02%) to \$49,997,912 compared to 2017. The tax rate per thousand of taxable value decreased 13 cents or 1.5% to \$8.57 per thousand of total taxable value of property in the County (\$8.70 in 2017).

Request for Information

This financial report is designed to provide a general overview for all those with an interest in the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Steuben County Finance Department at 3 East Pulteney Square, Bath, NY 14810. The County's Internet address is www.steubencony.org.

The County's component units issue separate financial statements. These statements may be obtained by contacting the individual agencies directly. Please refer to the Notes to the Basic Financial Statements for contact information.

COUNTY OF STEUBEN, NEW YORK

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	IDA Business-type	Soil & Water Business-type
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 78,658,634	16,517,866	\$ 95,176,500	\$ 1,118,367	\$ 1,049,039
Investments	39,893,622	-	39,893,622	-	-
Taxes receivable and tax deeds, net	11,004,201	-	11,004,201	-	-
Other receivables, net	6,476,748	651,934	7,128,682	-	233,539
Assets whose use is limited	1,839,796	-	1,839,796	1,153,701	1,407,148
State and federal receivables	13,738,252	-	13,738,252	-	-
Due from other governments	1,926,027	-	1,926,027	-	-
Prepaid items	2,156,844	-	2,156,844	-	-
Inventory of supplies	1,350,536	-	1,350,536	-	-
Total current assets	<u>157,044,660</u>	<u>17,169,800</u>	<u>174,214,460</u>	<u>2,272,068</u>	<u>2,689,726</u>
Noncurrent assets:					
Non-depreciable capital assets	6,531,754	731,449	7,263,203	-	-
Net depreciable capital assets	110,284,230	12,308,715	122,592,945	1,810,500	282,225
Other assets - net	-	-	-	20,000	-
Total noncurrent assets	<u>116,815,984</u>	<u>13,040,164</u>	<u>129,856,148</u>	<u>1,830,500</u>	<u>282,225</u>
Total assets	<u>273,860,644</u>	<u>30,209,964</u>	<u>304,070,608</u>	<u>4,102,568</u>	<u>2,971,951</u>
DEFERRED OUTFLOWS OF RESOURCES					
Other post-employment benefits related	6,070,188	181,293	6,251,481	-	-
Pension related	<u>12,684,966</u>	<u>378,850</u>	<u>13,063,816</u>	<u>77,976</u>	<u>-</u>
Total deferred outflows of resources	<u>18,755,154</u>	<u>560,143</u>	<u>19,315,297</u>	<u>77,976</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	14,113,021	397,310	14,510,331	6,350	11,859
Accrued liabilities	9,214,208	116,716	9,330,924	8,392	-
Current portion of compensated absences	2,001,513	60,848	2,062,361	-	-
Due to other governments	8,469,618	-	8,469,618	-	-
Accrued interest	158,950	-	158,950	-	-
Current portion of bonds payable	900,000	-	900,000	-	-
Current portion of capital lease obligation	-	-	-	5,435	-
Bond anticipation notes payable	120,000	-	120,000	-	-
Unearned revenues	6,396,020	-	6,396,020	-	1,407,148
Other liabilities	-	-	-	-	-
Total current liabilities	<u>41,373,330</u>	<u>574,874</u>	<u>41,948,204</u>	<u>20,177</u>	<u>1,419,007</u>
Noncurrent liabilities:					
Compensated absences, net of current portion	3,391,036	245,720	3,636,756	-	21,299
Other post-employment benefits	54,146,949	1,676,537	55,823,486	-	-
Net pension liability	14,372,140	429,240	14,801,380	83,042	-
Accrued landfill closure/post closure care costs	-	13,862,645	13,862,645	-	-
Capital lease obligation	-	-	-	28,917	-
Bonds payable, net of current portion and discount	<u>41,412,187</u>	<u>-</u>	<u>41,412,187</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>113,322,312</u>	<u>16,214,142</u>	<u>129,536,454</u>	<u>111,959</u>	<u>21,299</u>
Total liabilities	<u>154,695,642</u>	<u>16,789,016</u>	<u>171,484,658</u>	<u>132,136</u>	<u>1,440,306</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	<u>3,626,029</u>	<u>108,295</u>	<u>3,734,324</u>	<u>24,345</u>	<u>-</u>
Total deferred inflows of resources	<u>3,626,029</u>	<u>108,295</u>	<u>3,734,324</u>	<u>24,345</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	110,255,984	13,040,164	123,296,148	1,776,148	282,225
Restricted for:					
Capital improvements	12,959,149	-	12,959,149	-	-
Debt service	1,839,796	-	1,839,796	-	-
Other restrictions	9,131,686	-	9,131,686	668,456	1,407,148
Unrestricted	<u>107,512</u>	<u>832,632</u>	<u>940,144</u>	<u>1,579,459</u>	<u>(157,728)</u>
Total Net Position	<u>\$ 134,294,127</u>	<u>\$ 13,872,796</u>	<u>\$ 148,166,923</u>	<u>\$ 4,024,063</u>	<u>\$ 1,531,645</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	IDA Business-type	Soil & Water Business-type
PRIMARY GOVERNMENT:									
Governmental activities -									
General	\$ 32,706,312	\$ 5,292,431	\$ 940,337	\$ 169,054	\$ (26,304,490)	\$ -	\$ (26,304,490)		
Education	8,290,529	-	2,096,461	-	(6,194,068)	-	(6,194,068)		
Public safety	23,181,552	2,237,594	1,797,138	829,323	(18,317,497)	-	(18,317,497)		
Health	14,508,533	7,473,461	5,731,843	-	(1,303,229)	-	(1,303,229)		
Transportation	26,210,528	2,790,738	393,100	7,439,889	(15,586,801)	-	(15,586,801)		
Economic assistance and opportunity	61,280,342	2,733,795	28,954,960	-	(29,591,587)	-	(29,591,587)		
Culture and recreation	646,995	50,226	121,403	-	(475,366)	-	(475,366)		
Home and community	910,906	1,730	249,168	-	(660,008)	-	(660,008)		
Interest and amortization expense	2,264,923	-	-	-	(2,264,923)	-	(2,264,923)		
Total governmental activities	<u>170,000,620</u>	<u>20,579,975</u>	<u>40,284,410</u>	<u>8,438,266</u>	<u>(100,697,969)</u>	<u>-</u>	<u>(100,697,969)</u>		
Business-type activities -									
Solid Waste Operations	5,982,010	7,673,395	39,605	-	-	1,730,990	1,730,990		
Total business-type activities	<u>5,982,010</u>	<u>7,673,395</u>	<u>39,605</u>	<u>-</u>	<u>-</u>	<u>1,730,990</u>	<u>1,730,990</u>		
Total primary government	<u>\$ 175,982,630</u>	<u>\$ 28,253,370</u>	<u>\$ 40,324,015</u>	<u>\$ 8,438,266</u>	<u>(100,697,969)</u>	<u>1,730,990</u>	<u>(98,966,979)</u>		
COMPONENT UNITS:									
Industrial Development Agency	\$ 577,722	\$ 353,547	\$ 125,754	\$ -			\$ (98,421)	\$ -	
Soil and Water Conservation District	3,778,638	85,689	3,648,529	-			-	(44,420)	
Total component units	<u>\$ 4,356,360</u>	<u>\$ 439,236</u>	<u>\$ 3,774,283</u>	<u>\$ -</u>			<u>\$ (98,421)</u>	<u>\$ (44,420)</u>	
GENERAL REVENUES:									
Real property taxes					42,778,954	-	42,778,954	-	-
Real property tax items					4,316,338	-	4,316,338	-	-
Sales and use tax					32,239,907	-	32,239,907	-	-
Nonproperty tax items					25,304,488	-	25,304,488	-	-
Interest and earnings					513,569	4,820	518,389	9,084	878
Sale of property and compensation for losses					202,591	37,766	240,357	-	38,769
Loss on disposition of asset					-	-	-	(43,659)	-
Miscellaneous					4,404,379	1,771	4,406,150	2,024	43,103
Total general revenues					<u>109,760,226</u>	<u>44,357</u>	<u>109,804,583</u>	<u>(32,551)</u>	<u>82,750</u>
Change in net position					9,062,257	1,775,347	10,837,604	(130,972)	38,330
Net Position, beginning of year, as previously reported					145,005,018	12,687,996	157,693,014	4,146,450	1,493,315
PRIOR PERIOD ADJUSTMENT (Note 2)					(19,773,148)	(590,547)	(20,363,695)	8,585	-
Net Position, beginning of year, as restated					<u>125,231,870</u>	<u>12,097,449</u>	<u>137,329,319</u>	<u>4,155,035</u>	<u>1,493,315</u>
Net Position, end of year					<u>\$ 134,294,127</u>	<u>\$ 13,872,796</u>	<u>\$ 148,166,923</u>	<u>\$ 4,024,063</u>	<u>\$ 1,531,645</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	County Road	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 53,053,805	\$ -	\$ 14,355,465	\$ 1,375,394	\$ 68,784,664
Investments	39,893,622	-	-	-	39,893,622
Taxes receivable and tax deeds, net	11,004,201	-	-	-	11,004,201
Other receivables	4,949,888	-	-	1,526,860	6,476,748
State and federal receivables	9,039,301	4,429,818	169,133	100,000	13,738,252
Due from other governments	912,557	86,151	30,736	43,596	1,073,040
Due from other funds	444,853	-	-	-	444,853
Prepaid items	2,001,844	-	-	-	2,001,844
Inventory of supplies	14,792	-	-	-	14,792
Assets whose use is limited	-	-	-	1,839,796	1,839,796
Total assets	\$ 121,314,863	\$ 4,515,969	\$ 14,555,334	\$ 4,885,646	\$ 145,271,812
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 12,243,381	\$ 165,040	\$ 1,266,628	\$ 221,445	\$ 13,896,494
Accrued liabilities	2,648,013	359,518	209,557	43,902	3,260,990
Bond anticipation note payable	-	-	120,000	-	120,000
Due to other governments	8,469,618	-	-	-	8,469,618
Due to other funds	2,498,129	1,800,204	-	67,978	4,366,311
Unearned revenues	6,396,020	-	-	-	6,396,020
Total liabilities	32,255,161	2,324,762	1,596,185	333,325	36,509,433
DEFERRED INFLOWS OF RESOURCES					
Tobacco settlement revenue	-	-	-	1,526,860	1,526,860
Unearned taxes	5,579,895	-	-	-	5,579,895
Total deferred inflows of resources	5,579,895	-	-	1,526,860	7,106,755
FUND BALANCES					
Nonspendable	2,016,636	-	-	-	2,016,636
Restricted	9,131,686	-	12,959,149	1,839,796	23,930,631
Assigned	9,454,674	2,191,207	-	1,185,665	12,831,546
Unassigned	62,876,811	-	-	-	62,876,811
Total fund balances	83,479,807	2,191,207	12,959,149	3,025,461	101,655,624
Total liabilities, deferred inflows of resources and fund balances	\$ 121,314,863	\$ 4,515,969	\$ 14,555,334	\$ 4,885,646	\$ 145,271,812

COUNTY OF STEUBEN, NEW YORK

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017**

Total fund balances - governmental funds \$ 101,655,624

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The assets consist of:

Land	\$ 1,126,474	
Buildings and improvements	44,307,738	
Improvements other than buildings	2,925,773	
Equipment	33,617,121	
Infrastructure	181,672,911	
Construction in progress	5,405,280	
Accumulated depreciation	<u>(152,239,313)</u>	
Total capital assets		116,815,984

Unearned property tax revenues are not available to pay for current-period expenditures and are therefore deferred in the funds. 5,579,895

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and; therefore, are not reported in the fund.

Deferred outflows - ERS	12,684,966
Deferred outflows - OPEB	6,070,188
Deferred inflows - ERS	(3,626,029)

Unearned tobacco settlement revenues are not available to pay for current-period expenditures and are therefore deferred in the funds. 1,526,860

Certain items are not available within sixty days of the year end, hence are not considered assets on the fund statements. These consist of:

Inventory type items for materials and supplies	1,335,744
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued bond interest payable	(158,950)
Accrued compensated absences	(5,392,549)
Bonds and capital notes payable	(34,672,422)
Other post-employment benefits liability	(54,146,949)
Accrued bond accretion	(7,639,765)
Net pension liability	(14,372,140)

Internal service funds are used by management to charge costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. 8,633,670

Total net position of governmental activities \$ 134,294,127

COUNTY OF STEUBEN, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>County Road Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 25,696,817	\$ 16,713,837	\$ -	\$ 489,449	\$ 42,900,103
Real property tax items	4,316,338	-	-	-	4,316,338
Non-property taxes	57,544,395	-	-	-	57,544,395
Departmental Income	12,776,535	-	-	-	12,776,535
Intergovernmental services revenue	1,692,971	78,955	135,743	-	1,907,669
Use of money and property	2,742,356	(3,801)	4,385	19,280	2,762,220
Licenses and permits	1,730	-	-	-	1,730
Fines and forfeitures	280,791	-	-	-	280,791
Sale of property and compensation for losses	79,068	66,205	1,486	55,832	202,591
Tobacco settlement revenues	-	-	-	1,267,118	1,267,118
Interfund revenues	1,297,706	-	-	2,576,040	3,873,746
State aid	20,098,611	6,083,537	1,453,206	260,000	27,895,354
Federal aid	20,025,799	-	801,523	-	20,827,322
Miscellaneous	1,788,203	6,791	39,044	33,141	1,867,179
Total revenues	148,341,320	22,945,524	2,435,387	4,700,860	178,423,091
EXPENDITURES					
Current:					
General government	30,967,727	-	-	80,826	31,048,553
Education	8,290,529	-	-	-	8,290,529
Public safety	20,773,841	-	-	-	20,773,841
Health	14,125,753	-	-	-	14,125,753
Transportation	418,331	21,571,178	-	4,139,182	26,128,691
Economic assistance and opportunity	60,638,373	-	-	-	60,638,373
Culture and recreation	604,776	-	-	-	604,776
Home and community services	1,110,593	-	-	195,000	1,305,593
Capital outlays:					
General government	-	-	6,139,792	-	6,139,792
Public safety	-	-	656,462	-	656,462
Transportation	-	-	971,464	-	971,464
Culture and recreation	-	-	13,308	-	13,308
Debt service:					
Principal	555,000	-	-	-	555,000
Interest	114,250	-	1,500	1,256,500	1,372,250
Total expenditures	137,599,173	21,571,178	7,782,526	5,671,508	172,624,385
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,742,147	1,374,346	(5,347,139)	(970,648)	5,798,706
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term obligations	-	-	4,000,000	-	4,000,000
Bond issuance costs	-	-	(33,300)	-	(33,300)
Bond premium	-	-	48,108	-	48,108
Transfers in	-	-	8,901,457	-	8,901,457
Transfers out	(8,681,457)	(220,000)	-	-	(8,901,457)
Total other financing sources (uses)	(8,681,457)	(220,000)	12,916,265	-	4,014,808
NET CHANGE IN FUND BALANCE	2,060,690	1,154,346	7,569,126	(970,648)	9,813,514
FUND BALANCE - beginning of year	81,419,117	1,036,861	5,390,023	3,996,109	91,842,110
FUND BALANCE - end of year	\$ 83,479,807	\$ 2,191,207	\$ 12,959,149	\$ 3,025,461	\$ 101,655,624

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds \$ 9,813,514

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital outlays	\$ 15,462,786	
Depreciation	<u>(9,552,478)</u>	
Excess of capital outlays over depreciation expense		5,910,308

Net STASC revenues in the statement of activities that do not provide
current financial resources are not reported as revenue in the funds. (50,939)

Property tax revenues in the statement of activities that do not provide
current financial resources are not reported as revenue in the funds. (121,149)

Governmental funds report pension contributions as expenditures. However,
in the statement of activities, the cost of pension benefits earned, net of employer
contributions is reported as pension expense. (1,758,052)

Governmental funds report other post-employment benefit contributions as
expenditures. However, in the statement of activities, the cost of other post-employment
benefits earned, net of employer contributions is reported as other post-employment benefits. (2,233,265)

Governmental funds only report the disposal of assets to the extent proceeds
are received from the sale. In the statement of activities, a gain or loss is reported
for each disposal. This is the amount of the loss on disposal of capital
assets with no cash proceeds. (247,794)

Governmental funds record the proceeds of debt as revenue, while the statement of activities
records proceeds as long term debt. (4,000,000)

Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in
in governmental funds.

(Increase)/decrease:

Compensated absences	83,315
Inventory of supplies	453,898
Accrued interest on bonds	14,762
Accretion of bonds	(907,436)
Amortization of bond discount	(33,606)

Repayment of bond principal is an expenditure in the governmental funds, but
reduces long-term liabilities in the statement of net position. 555,000

Internal service funds are used by management to charge the costs of insurance to
individual funds. The net position of the internal service fund is reported
with the governmental activities. 1,583,701

Change in net position of governmental activities \$ 9,062,257

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2017**

	Enterprise Funds	
	Solid Waste (Landfill)	Internal Service
ASSETS		
Cash and cash equivalents	\$ 16,480,398	\$ 9,873,970
Accounts receivable	651,934	-
Customer deposits	37,468	-
Due from other governments	-	852,987
Due from other funds	-	3,921,458
Prepaid items	-	155,000
Total current assets	<u>17,169,800</u>	<u>14,803,415</u>
Noncurrent Assets:		
Non-depreciable capital assets	731,449	-
Net depreciable capital assets	<u>12,308,715</u>	<u>-</u>
Total noncurrent assets	<u>13,040,164</u>	<u>-</u>
Total Assets	<u>30,209,964</u>	<u>14,803,415</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other post-employment benefits related	181,293	-
Pension related	<u>378,850</u>	<u>-</u>
Total deferred outflows of resources	<u>560,143</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	397,310	216,527
Accrued liabilities	116,716	5,953,218
Current portion of accrued compensated absences	<u>60,848</u>	<u>-</u>
Total current liabilities	<u>574,874</u>	<u>6,169,745</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	245,720	-
Other post-employment benefits	1,676,537	-
Net pension liability	429,240	-
Accrued landfill closure/postclosure care costs	<u>13,862,645</u>	<u>-</u>
Total noncurrent liabilities	<u>16,214,142</u>	<u>-</u>
TOTAL LIABILITIES	<u>16,789,016</u>	<u>6,169,745</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	<u>108,295</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	13,040,164	-
Unrestricted	<u>832,632</u>	<u>8,633,670</u>
Total net position	<u>\$ 13,872,796</u>	<u>\$ 8,633,670</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise Funds	
	Solid Waste (Landfill)	Internal Service
OPERATING REVENUES:		
Charges for services	\$ 7,673,395	\$ 3,700,184
Other revenue	<u>1,771</u>	<u>235,698</u>
Total operating revenue	<u>7,675,166</u>	<u>3,935,882</u>
OPERATING EXPENSES:		
Personal services	1,192,069	41,234
Employee benefits	713,067	29,592
Contractual expense	1,355,805	837,297
Depreciation and amortization	2,171,054	-
Indirect expense	2,095	-
Closure and postclosure care costs	547,920	-
Workers' compensation benefits	<u>-</u>	<u>1,448,802</u>
Total operating expenses	<u>5,982,010</u>	<u>2,356,925</u>
Operating income	<u>1,693,156</u>	<u>1,578,957</u>
NON-OPERATING REVENUE:		
State and Federal aid	39,605	-
Interest income	4,820	4,744
Gain on disposition of assets	<u>37,766</u>	<u>-</u>
Total non-operating revenue	<u>82,191</u>	<u>4,744</u>
CHANGE IN NET POSITION	<u>1,775,347</u>	<u>1,583,701</u>
NET POSITION - beginning of year, as previously reported	12,687,996	7,049,969
PRIOR PERIOD ADJUSTMENT	<u>(590,547)</u>	<u>-</u>
NET POSITION - beginning of year, as restated	<u>12,097,449</u>	<u>7,049,969</u>
NET POSITION - end of year	<u>\$ 13,872,796</u>	<u>\$ 8,633,670</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise Funds	
	Solid Waste (Landfill)	Internal Service
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Receipts from services provided	\$ 7,741,973	\$ 3,247,085
Payments to suppliers for goods and services	(1,576,083)	(710,316)
Payments to employees for services	(1,757,753)	129,942
Payments for workers' compensation benefits	-	(1,448,802)
Net cash provided by (used in) operating activities	<u>4,408,137</u>	<u>1,217,909</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from state and federal agencies	39,605	-
Transfer, purchase and construction of capital assets	(967,030)	-
Proceeds from rental and sale of capital assets, net	<u>37,766</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(889,659)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
Interest income received	<u>4,820</u>	<u>4,744</u>
Net cash provided by investing activities	<u>4,820</u>	<u>4,744</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,523,298	1,222,653
CASH AND CASH EQUIVALENTS - beginning of year	<u>12,957,100</u>	<u>8,651,317</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 16,480,398</u>	<u>\$ 9,873,970</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES USED BY OPERATING ACTIVITIES		
Operating income	\$ 1,693,156	\$ 1,578,957
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,171,054	-
Changes in:		
Accounts receivable	65,607	-
Customer deposits	1,200	-
Accrued OPEB liability	66,699	-
Inventories and prepaids	-	(46,804)
Accounts payable and accrued expenses	90,819	327,749
Due from other governments	-	18,007
Due from other funds	-	(660,000)
Pension related	44,949	-
Compensated absences	22,639	-
Accrued landfill closure/post closure care costs	<u>252,014</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 4,408,137</u>	<u>\$ 1,217,909</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
AS OF DECEMBER 31, 2017**

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,710,858	\$ 310,240
Total Assets	<u>1,710,858</u>	<u>310,240</u>
LIABILITIES		
Agency liabilities	<u>1,710,858</u>	<u>228</u>
Total liabilities	<u>1,710,858</u>	<u>228</u>
NET POSITION		
Held in trust for other purposes	<u>-</u>	<u>310,012</u>
Total net position	<u>-</u>	<u>310,012</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,710,858</u>	<u>\$ 310,240</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Interest earnings	\$ 5
Miscellaneous local sources	<u>58,548</u>
Total additions	<u>58,553</u>
DEDUCTIONS:	
Home and community services	5
Public safety	<u>19,609</u>
Total deductions	<u>19,614</u>
CHANGE IN NET POSITION	38,939
NET POSITION - Beginning of year	<u>271,073</u>
NET POSITION - End of year	<u>\$ 310,012</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF STEUBEN, NEW YORK

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The County of Steuben (the County), which was incorporated in 1796, is governed by the County Charter, County Law and other general laws of the State of New York (the State) and various local laws. As a governmental entity, Steuben County is not subject to Federal Income Tax and does not file a Federal Tax return with the Internal Revenue Service. The County Legislature is responsible for the overall operations. The Legislative Board consists of seventeen members with each member's vote weighted on the basis of population in the district represented. The County Manager serves as chief executive officer and the Commissioner of Finance serves as chief fiscal officer.

The County provides the following basic services: educational assistance, economic assistance, highway construction and maintenance, law enforcement, traffic safety, emergency management services, parks, youth and aging services, mental health, public health, and environmental control. All governmental activities and functions performed for the County are its direct responsibility.

The financial reporting entity consists of (a) the primary government, which is the County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in Governmental Accounting Standards Board (GASB) statements.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth by the GASB including legal standing, fiscal dependency, and financial accountability. A component unit is included in the County's reporting entity if it is both fiscally dependent on the County and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County's reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented

- **Steuben County Industrial Development Agency** (the Agency) is a Public Benefit Corporation created by State legislation to promote the economic welfare, recreational opportunities, and prosperity of the County inhabitants. Board members of the Agency are appointed by the Steuben County Legislature. The County provided a \$45,000 operating subsidy to the Agency for 2017. The Agency is considered a component unit and is discretely presented as a business-type component unit. The Agency uses proprietary fund accounting.
- **Steuben County Soil & Water Conservation District** (the District) was established in accordance with the Soil and Water Conservation Districts Law, to provide for the conservation of the soil and water resources. Members of District's Board of Directors are appointed by the Steuben County Legislature. An annual operating subsidy is provided by the County. The County's subsidy for 2017 was \$230,676 (6.0% of the District's revenue). The District is considered a governmental component unit and is discretely presented. The District uses proprietary fund accounting.
- **Steuben County Land Bank Corporation (the Corporation)** was formed in 2016 to assist communities within the County of Steuben, New York (the County) in addressing the issues of blight caused by vacant, abandoned, condemned and foreclosed properties. Operations commenced in 2017. The Corporation endeavors to reverse the trend of declining property values and further deterioration of Steuben County's housing and commercial stock by stabilizing neighborhoods, encouraging private investment and improving the quality of life for Steuben County residents.

The Corporation was formed with the County as its sole member. However, due to the immateriality of the Corporation to the County, it is not presented as a blended component unit.

Blended Presentation

- **Steuben Tobacco Asset Securitization Corporation (STASC)** is a local development corporation created in October 2000 under section 1411 of the New York State Not-For-Profit Corporation Law. In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and local governments had incurred in treating smoking related illnesses. Under an agreement reached with the tobacco industry, referred to as the Master Settlement Agreement (MSA), the State and local governments are entitled to receive annual payments. The STASC was formed to raise funds by issuing bonds, use those funds to acquire the rights to future proceeds from the MSA payable to the County, and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt.

During 2000, the County sold its rights to receive payments under the MSA to the STASC. This sale was funded through the issuance of bonds by the STASC. The net proceeds were \$18,910,406. These bonds were then advance-refunded in August 2005, as part of New York Counties Tobacco Trust IV, Tobacco Settlement pass-through bonds. The STASC also became part of the New York Counties Tobacco Trust V by issuing capital appreciation bonds in November 2005. The STASC is considered a component unit and is blended with the other governmental activities of the County. The STASC uses the current financial resources measurement focus and modified accrual accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete financial statements of individual component units can be obtained from their respective administrative offices:

Steuben County Industrial Development Agency
7234 Rte 54 N – PO Box 393
Bath, NY 14810-0393

Steuben County Soil & Water Conservation District
415 W. Morris Street
Bath, NY 14810

Steuben Tobacco Asset Securitization Corporation
3 East Pulteney Square
Bath, NY 14810

Steuben County Land Bank
3 East Pulteney Square
Bath, NY 14810

Basis of Presentation

- **Fund Accounting**

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County's enterprise funds and business-type activities are prepared in conformity with accounting principles generally accepted in the United States as set forth by the GASB for proprietary funds. The more significant of the government's accounting policies are described in the following notes.

The County's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- **Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The Statement of Net Position represents the financial condition of the governmental and business-type activities at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities for the entire year. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business-type activity is self-financing or draws from the general revenues of the County.

Internal service activity within and between the governmental funds has been eliminated for presentation on the Statement of Net Position and the Statement of Activities. Interfund services provided and used are not eliminated in the process of consolidation to the government-wide statement of activities. Internal service activity between the internal service fund and the government has been eliminated and the remaining amounts are shown as governmental type activities on the Statement of Net Position and the Statement of Activities.

- **Fund Financial Statements**

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

• Fund Financial Statements (Continued)

- Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Reporting is based on the modified accrual basis of accounting and “current financial resources” measurement focus. The following are the County’s major governmental fund types:

a) Major Governmental Funds

- General Fund - is the principal operating fund and includes all operations not required to be recorded in other funds.
- County Road Fund - is required by Highway Law #114. Charges to this fund include salaries and expenditures of the County highway superintendent and the superintendent’s office, engineering, maintenance of County roads and bridges, snow removal, and construction and reconstruction of County roads.
- Capital Projects Fund - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities or equipment not being financed by proprietary or nonexpendable trust funds.

b) Non-Major Governmental Funds

- Economic Development Fund - This fund is used to account for the costs and programs intended to facilitate economic development within the County.
- Road Machinery Fund - This fund is used to account for purchases, rentals, repairs, maintenance, and storage of highway machinery, tools, and equipment in accordance with New York State laws.
- Debt Service Fund - This debt service fund is used to account for the debt and activity associated with the Steuben Tobacco Asset Securitization Corporation component unit.

c) Proprietary Funds

These are used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. Reporting is on the accrual basis of accounting with an economic resource measurement focus. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

• Fund Financial Statements (Continued)

The following are the major proprietary funds:

- Enterprise Fund - is used to account for the Steuben County Solid Waste Operations, which receives and manages waste at the County landfills.
- Internal Service Fund - is used to account for the Self-Insurance (Workers' Compensation) Fund that records the assessments charged to, and benefits paid on behalf of, participating governments for workers' compensation coverage.

d) Fiduciary Funds are used to account for assets held by the County in a trustee or custodial capacity. The following are fiduciary-type funds:

- Agency Funds - The County's Agency Fund accounts for money (and/or property) received and held in the capacity of trustee, custodian or agent. The accounts do not involve measurement of results of operations; therefore, there are no operating statements. This fund accounts for moneys held for such things as payroll deductions, bail and court ordered deposits, undistributed mortgage tax, and deposits held for Social Service clients.
- Private Purpose Trust Funds - The County's Private-Purpose Trust Funds account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The County has two Private-Purpose Trusts: Jail Commissary and Fairview Cemetery. The Jail Commissary benefits inmates at the Steuben County Jail. The Fairview Cemetery trust was established in September 1964 when the County received a bequest of \$1,000 from the Estate of Marjorie More Benham for the perpetual care and maintenance of a lot in the Fairview Cemetery located in the Town of Lindley. The County is designated as the trustee of the bequest in accordance with section 553 of the County Law.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities associated with the operation (whether current or non-current) of the County are included on the Statement of Net Position and the Statement of Activities presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of when the cash is received or paid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

The governmental funds financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers amounts received within sixty days of year-end to be current. Expenditures are recorded when the related fund liability is incurred. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental-fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user fees. In 2017 the County had no long-term sales contracts, notes, leases receivable, or special assessment levies. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made and the resources are available. Expenditures are recorded when incurred except for the following exceptions:

- The County maintains an inventory for office supplies; expenditures for such items are recorded upon withdrawal from the inventory. An inventory is also established to account for snow & ice abrasives (salt), and bridge materials purchased and stockpiled at year-end.
- Principal and interest and amortization of bond indebtedness are not recognized as expenditures until due.
- Compensated absences, such as vacation and sick leave which vests or accumulates, and other post-employment benefits are charged as expenditures when paid.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash, Cash Equivalents and Certificates of Deposit

The County's deposit policies are governed by State statutes. In addition, the County has its own written deposit policy. County moneys must be deposited in FDIC insured commercial banks or trust companies located within the State. The Commissioner of Finance is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Certificates of deposit are stated at cost, which approximates fair value and the corresponding interest rate does not fluctuate with the market.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Certificates of Deposit (Continued)

Collateral is required for demand deposits and non-demand deposits not covered by federal depository insurance. The fair value of the collateral is required at all times to equal or exceed the principal amount. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written deposit policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal Government. Underlying securities must have a fair value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting, cash equivalents are defined as short-term, highly liquid investments with a maturity of twelve months or less when purchased.

Deposits at year-end were covered by federal depository insurance, by collateral held by a third party custodial bank, with securities held by the entity or its agent in the County's name, and/or Federal securities.

Investments

The County categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County does not have any investments that are measured using Level 3 inputs.

Fair value measurements of the County's investments are as follows at December 31, 2017:

- U.S. Treasury securities: valued at \$40 million, based on quoted market prices (Level 1 inputs).

Capital Assets

General capital assets are capital assets which are associated with, and generally arise from, governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental-activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of \$5,000 for all governmental funds, and \$500 for all enterprise funds. The County's infrastructure consists of roads and bridges. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

All capital assets are depreciated, except for land and construction in progress. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation and amortization are computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25 – 50 years
Improvements other than buildings	10 – 35 years
Machinery and equipment	3 – 16 years
Fixed and moveable equipment	3 – 16 years
Infrastructure	4 – 50 years

All infrastructure placed in service each year since 2001 is included in the Statement of Net Position and depreciation expense is included in the Statement of Activities.

Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position. The only interfund balances which remain on the government-wide Statement of Net Position are those between governmental, business-type and fiduciary activities. These amounts are reflected as "Internal Balances" if present at year end.

Inventory and Prepaid Items

Inventory is valued at cost utilizing the first-in, first-out method for all funds. Inventory in the General Fund and government activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used to account for these prepaid costs.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a use of resources that applies to a future period and so will not be recognized as an outflow (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Property Taxes

Real property taxes are levied annually and become a lien on January 1. Taxes for County purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Taxes are generally collected during the period January 1 to March 31 by the Municipal Tax Collectors. Authorization is granted to requesting municipalities to collect in April to the settlement date. A 5% County penalty is added when the local collector settles with the County. Interest is calculated at a rate of 1% per month from February on the total amount due. The County assumes enforcement responsibility for all taxes levied in the towns after the settlement date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

Unpaid village and central school district taxes are turned over to the County for enforcement and any such taxes remaining unpaid at year-end are re-levied as County taxes in the subsequent year. The County also enforces city and city school district taxes. Tax enforcement procedures are in accordance with Article 11 of the New York State Real Property Tax Law, known as the "Uniform Delinquent Tax Enforcement Act." The redemption period for the payment of taxes generally expires two years after the lien date. Taxpayers may enter into an installment contract with the County to pay delinquent taxes. The term of the installment contract may be for a period up to 24 months.

Non-Property Tax Items

Non-property tax items consist primarily of sales and use taxes, hotel occupancy tax, and automobile use tax.

Insurance

The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are also reported on the enterprise fund financial statements.

In general, governmental-fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences, other post-employment benefits and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability in the government-wide Statement of Net Position, not in the fund statements, for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and also those that the County has identified as probable of receiving payment in the future. The amount is based on the accumulated sick leave and employee wage rates at year-end.

In the event of termination, an employee is entitled to payment of accumulated vacation leave to a maximum of forty-five days and one-half of unused sick leave to a maximum of ninety days after ten years of service. The compensated absences liability is reported on the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

On governmental-fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- b) Restricted net position - is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Governmental Fund Balance

Accounting principles generally accepted in the United States provide clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balances**
Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balances**
Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balances**
Amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., County Legislature). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balance (Continued)

- **Assigned Fund Balances**

Amounts the County intends to use for a specific purpose. Intent can be expressed by the County Legislature or by the Finance Committee in consultation with the County Manager and Commissioner of Finance.

- **Unassigned Fund Balances**

Amounts that are available for any remaining purpose not described above.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the County Legislature has provided otherwise in its commitment or assignment actions.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for the landfill. Receivables are recorded at the time of service and an allowance for doubtful accounts is estimated at the end of each year. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the funds. Revenues and expenses not meeting these definitions are reported as non-operating.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

2. PRIOR PERIOD ADJUSTMENT

Change in Accounting Principle

The County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits (OPEB). For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position, deferred outflows of resources, and other postemployment benefits on the Statement of Net Position for the governmental activities and business type funds were adjusted as noted in the following tables:

	Government-Wide Statement of Net Position		
	Other	Deferred Outflows	Net Position
	Post-employment Benefits	of Resources	
Balance at December 31, 2016, as previously reported	\$ (26,070,348)	\$ -	\$ (145,005,018)
Restatement of beginning balance - Adoption of GASB Statement No. 75			
Contributions subsequent to measurement date	-	1,342,957	(1,342,957)
Changes in assumptions	(442,208)	-	442,208
Increase to liability	(20,673,897)	-	20,673,897
	<u>(21,116,105)</u>	<u>1,342,957</u>	<u>19,773,148</u>
Balance at December 31, 2016, as restated	\$ <u>(47,186,453)</u>	\$ <u>1,342,957</u>	\$ <u>(125,231,870)</u>

	Business-Type Statement of Net Position		
	Other	Deferred Outflows	Net Position
	Post-employment Benefits	of Resources	
Balance at December 31, 2016, as previously reported	\$ (837,998)	\$ -	\$ (12,687,996)
Restatement of beginning balance - Adoption of GASB Statement No. 75			
Contributions subsequent to measurement date	-	40,109	(40,109)
Changes in assumptions	(13,207)	-	13,207
Increase to liability	(617,449)	-	617,449
	<u>(630,656)</u>	<u>40,109</u>	<u>590,547</u>
Balance at December 31, 2016, as restated	\$ <u>(1,468,654)</u>	\$ <u>40,109</u>	\$ <u>(12,097,449)</u>

There was no impact to the change in net position for 2016 as a result of this adjustment.

Correction of an Error

The Steuben County Industrial Development Agency (the Agency) restated the financial statements for the year ended December 31, 2016 to properly account for a capital lease obligation which was accounted for as an operating lease in the prior period. The effect of this restatement increased property, plant, and equipment – net and net investment in capital assets by \$17,550. The restatement also increased capital lease obligation by \$8,965 and increased unrestricted net position by \$8,585.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted annually for the General Fund, County Road Fund, Economic Development Fund, and Road Machinery Fund. The Capital Projects Fund is budgeted on a project basis and therefore, these budgets do not lapse at year-end. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenses. The Internal Service Fund budget is adopted by separate resolution.

Each Department head shall submit annually to the Budget Officer/County Manager an estimate of revenues and expenditures of such Department for the ensuing fiscal year. The Budget Officer/County Manager will conduct a review of the preliminary budget. Recommendations for budget adjustments shall be forwarded to the Finance Committee, along with the preliminary budget by October 1 for their review and revision. No later than November 15, the Budget Officer/County Manager submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes the proposed expenditures and the means of financing for all budgeted funds. After public hearings are conducted to obtain taxpayer comments and no later than December 20, the County Legislature adopts the annual budget.

Departments may not exceed the budget unless a formal revision is authorized as outlined in the County Administrative Code. A separately issued detailed budget report is available upon request. In 2017, the County budgeted \$1,300,000 in a "contingency account" to be appropriated by the County Legislature as needed to cover unanticipated costs. During the year, \$305,000 of this amount was re-appropriated.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary system. Encumbrances outstanding at year-end are carried forward to the next year's budget and can be reported as committed or assigned fund balance in the financial statements since they do not constitute actual expenditures or liabilities.

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the County's legally adopted budget.

The basis of budgeting is the same as GAAP except that outstanding encumbrances are treated as expenditures using the budgetary basis, but are not included under GAAP.

Steuben Tobacco Asset Securitization Corporation

The net position deficit of the Tobacco Asset Securitization Corporation at the end of 2017 was (\$32,527,128) compared to (\$31,487,039) in 2016. This deficit results from the full accrual accounting for the STASC. Full accrual accounting requires the recording of the full amount of the bonds payable at the time the bonds are issued, while the revenue is recognized each year as it becomes available to pay the bond debt. It is expected that the deficit will decline as the revenues related to the tobacco settlements are received and the outstanding debt obligations are repaid.

4. CASH AND CASH EQUIVALENTS

Deposits

Cash and cash equivalents at December 31, 2017, are classified in the accompanying financial statements as follows:

<u>Description</u>	<u>Carrying Value</u>
Primary Government:	
County	\$ 68,784,664
Landfill	16,517,866
Workers' compensation	9,873,970
Fiduciary funds cash and equivalents	<u>2,021,098</u>
 Total Deposits	 <u>\$ 97,197,598</u>

Credit Risk

It is the County's policy that all financial institutions with which the County conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the County. Security dealers not affiliated with a bank, shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. As authorized by General Municipal Law, §11, the County authorizes the Commissioner of Finance to invest monies not required for immediate expenditure for terms not to exceed projected cash flow needs in the following types of investments:

- Special time deposit accounts.
- Certificates of Deposit issued by a bank or trust company located and authorized to do business in New York State.
- Obligations of the United States of America.
- Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America.
- Obligation of the State of New York.
- Obligations issued pursuant to Local Finance Law §24 or §25 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the County of Steuben.
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general state statutes governing such entities or whose specific enabling legislation authorizes such investments.
- Certificates of Participation (COPs) issued pursuant to General Municipal Law §109-b.
- Obligations of the County of Steuben, but only with any moneys in a reserve fund established pursuant to GML & General Municipal Law §6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m or 6-n.

4. CASH AND CASH EQUIVALENTS (Continued)

Credit Risk (Continued)

All investment obligations shall be payable or redeemable at the option of the County within such time frames as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided.

Custodial Credit Risk

It is the risk that in the event of a bank failure, the County's deposits may not be returned to it. To mitigate this risk, bank institutions are required to provide collateral in excess of the FDIC limit. At year-end, the carrying amount of the County's deposits was \$97,197,598 and the bank balance was \$98,461,216. Of the bank balance, \$2,309,937 was covered by federal depository insurance. Amounts uninsured, but collateralized by securities being held by 3rd party financial institutions in the County's name were \$103,642,885.

In accordance with the provisions of General Municipal Law, §10, all deposits of the County, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- By a pledge of "eligible securities" with an aggregate "market value" as provided by General Municipal Law, §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
- By an eligible "irrevocable letter of credit" issued by a qualified bank, other than the bank with the deposits, in favor of the County for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
- By an eligible surety bond payable to the County for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.
- An "irrevocable letter of credit" issued in favor of the County by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, for the payment of 100 percent of the aggregate amount of public deposits and investments from the County and agreed-upon interest, if any.

Eligible securities used for collateralization of deposits, shall be held by a third party trust company and/or the trust department of the specific bank or trust company, subject to security and custodial agreements.

4. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk (Continued)

The security agreement shall provide that eligible securities are being pledged to secure the County's deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the County to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the County, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County or its custodial bank.

The custodial agreement shall provide the securities held by the bank or trust company, or agent of and custodian for the County, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with, or become part of the backing for any other deposit or other liabilities. The agreement will also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

4. CASH AND CASH EQUIVALENTS (Continued)

Concentration of Credit Risk

The County's investment policy defines the maximum percentage of the total investments that may be invested in any one issuer to a range between ten and thirty-five percent. The maximum percentage defined for each bank is dependent on the evaluation of the individual institution.

The Commissioner of Finance is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually. The list of authorized financial institutions for both deposits and investments along with any restrictions and/or limits relative to authorized maximum amounts are designated below:

	<u>Maximum Percentage (Of Total Cash & Investments)</u>
Bank of America	25%
Five Star Bank	25%
Steuben Trust Company	35%
Community Bank, NA	35%
First State Bank	25%
Chemung Canal Trust	35%
M&T Bank & Trust	25%
J.P. Morgan Chase	35%
North Fork Bank – Mattituck, NY	15%
Key Bank	15%
HSBC	15%
Cooperative Liquid Assets Securities	10%
Morgan-Stanley/Dean Witter	10%

Interest Rate Risk

Interest rate risk is the risk that arises from the exposure to fair value losses that result from interest rate variability. The County's investment policy requires the diversification of deposits and investments by financial institution, by investment instrument and by maturity scheduling. At year-end, the County held the following deposits:

Deposit Type	Amount
Certificates of Deposit	\$ 15,000,000
Certificates of Deposit	15,000,000
Certificates of Deposit	10,000,000
Certificates of Deposit	5,005,625
Certificates of Deposit	5,000,000
Certificates of Deposit	1,200,000
Certificates of Deposit	<u>1,000</u>
	<u>\$ 51,206,625</u>

5. RECEIVABLES AND PREPAID ITEMS

At December 31, 2017, government-wide total real property tax receivables of \$11,366,627 are reported net of an allowance for uncollectible taxes of \$362,426. Included in the total real property tax receivables are returned city, village and school taxes of \$3,813,722 which are offset by liabilities to the cities, villages and school districts, which were paid by May 25, 2018.

On the fund financial statements, total real property tax receivables of \$11,366,627 are offset by an allowance for uncollectable taxes of \$362,426. The remaining portion of the tax assets on the fund statements is partially offset by deferred tax revenue of \$5,579,895 and represents an estimate of the tax liens, which will not be collected within the first sixty (60) days of the subsequent year.

On the government-wide Statement of Net Position, state and federal receivables of \$13,738,252 consist of the following items:

Office of Temporary and Disability Assistance	\$ 5,527,985
State Education Department	1,636,540
Department of Health	(587,292)
7th Judicial District Courts	868,090
State Office for the Aging	762,088
United States Marshall	44,659
State Office of Indigent Legal Services	305,695
Office of Homeland Security and Emergency Services	238,242
Department of Transportation	4,563,934
Other	<u>378,311</u>
Total	<u>\$ 13,738,252</u>

Receivables of \$6,476,748 consist primarily of receivables due from participants in various program services, approximately \$1,526,000 is related to the Tobacco Asset Securitization Corporation and the year-end sales tax receivable of approximately \$3,520,865.

On the government-wide Statement of Net Position, prepaid items consist primarily of the amount paid to the NYS Retirement System as an estimate of the amount due on wages to be paid between January 1, 2018 and March 31, 2018 and amounts prepaid to third party administrators for health and workers' compensation claims.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

<u>Type</u>	<u>Balance</u> <u>1/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2017</u>
<u>Government Activities</u>				
Nondepreciable Capital Assets:				
Land	\$ 1,116,474	\$ 10,000	\$ -	\$ 1,126,474
Construction in progress	<u>2,309,501</u>	<u>5,114,546</u>	<u>(2,018,767)</u>	<u>5,405,280</u>
Total nondepreciable capital assets	<u>3,425,975</u>	<u>5,124,546</u>	<u>(2,018,767)</u>	<u>6,531,754</u>
Depreciable capital assets:				
Buildings and improvements	44,429,878	-	(122,140)	44,307,738
Improvements other than buildings	1,526,209	1,399,564	-	2,925,773
Machinery and equipment	32,584,271	2,494,106	(1,461,256)	33,617,121
Infrastructure	<u>173,209,574</u>	<u>8,463,337</u>	<u>-</u>	<u>181,672,911</u>
Total depreciable capital assets	<u>251,749,932</u>	<u>12,357,007</u>	<u>(1,583,396)</u>	<u>262,523,543</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(32,694,989)	(1,424,739)	97,292	(34,022,436)
Improvements other than buildings	(432,996)	(133,833)	-	(566,829)
Machinery and equipment	(22,626,783)	(1,882,464)	1,238,310	(23,270,937)
Infrastructure	<u>(88,267,669)</u>	<u>(6,111,442)</u>	<u>-</u>	<u>(94,379,111)</u>
Total accumulated depreciation	<u>(144,022,437)</u>	<u>(9,552,478)</u>	<u>1,335,602</u>	<u>(152,239,313)</u>
Total depreciable capital assets, net	<u>107,727,495</u>	<u>2,804,529</u>	<u>(247,794)</u>	<u>110,284,230</u>
Governmental activities capital assets, net	<u>\$ 111,153,470</u>	<u>\$ 7,929,075</u>	<u>\$ (2,266,561)</u>	<u>\$ 116,815,984</u>

6. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2017 was as follows:

<u>Type</u>	<u>Balance 1/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2017</u>
<u>Business-type activities</u>				
Nondepreciable Capital Assets:				
Land	\$ 641,822	\$ 45,000	\$ -	\$ 686,822
Construction in progress	-	44,627	-	44,627
Total capital assets not being depreciated	<u>641,822</u>	<u>89,627</u>	<u>-</u>	<u>731,449</u>
Depreciable capital assets:				
Buildings and improvements	11,765,649	278,392	-	12,044,041
Improvements other than buildings	25,198,253	97,260	-	25,295,513
Machinery and equipment	<u>8,490,215</u>	<u>502,435</u>	<u>(127,817)</u>	<u>8,864,833</u>
Total depreciable capital assets	<u>45,454,117</u>	<u>878,087</u>	<u>(127,817)</u>	<u>46,204,387</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(6,586,910)	(500,120)	-	(7,087,030)
Improvements other than buildings	(19,219,453)	(1,198,321)	-	(20,417,774)
Machinery and equipment	<u>(6,045,388)</u>	<u>(472,613)</u>	<u>127,133</u>	<u>(6,390,868)</u>
Total accumulated depreciation	<u>(31,851,751)</u>	<u>(2,171,054)</u>	<u>127,133</u>	<u>(33,895,672)</u>
Total depreciable capital assets, net	<u>13,602,366</u>	<u>(1,292,967)</u>	<u>(684)</u>	<u>12,308,715</u>
Business-type activities capital assets, net	<u>\$ 14,244,188</u>	<u>\$ (1,203,340)</u>	<u>\$ (684)</u>	<u>\$ 13,040,164</u>

6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

Governmental activities:

General government	\$ 226,571
Public safety	1,879,941
Health	26,133
Transportation	7,293,896
Economic assistance and opportunity	78,388
Culture and recreation	11,278
Home and community service	<u>36,271</u>

Total depreciation - governmental activities \$ 9,552,478

Business-type activities:

Solid Waste (Landfill)	<u>\$ 2,171,054</u>
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7. PENSION PLANS

Plan Description

The County participates in the New York State and Local Employees' Retirement System (NYSERS), and the Public Employees' Group Life Insurance Plan (the System). These are cost sharing multiple employer retirement systems. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The Systems are noncontributory for employees who joined the Systems on or before July 27, 1976. Employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and prior to January 1, 2010, contribute 3% of their salary for the first ten years of membership. Employees who joined NYSERS after January 1, 2010 and prior to April 1, 2012, contribute 3.0% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3%-6% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The County's contribution to the Systems was equal to 100% of the contributions required for each year.

7. PENSION PLANS (Continued)

Funding Policy (Continued)

The required contributions for the current year and preceding years were:

	<u>ERS</u>
2017	\$ 6,174,186
2016	\$ 5,890,020
2015	\$ 6,044,028

Since 2003, the System's billings have been based on Chapter 49 of the Laws of 2003. The legislation established a required 4.5% minimum payment. If the valuation process produces a lower rate, the retirement system bills at the 4.5% and if it provides for a higher rate it will bill at the higher rate. Rates are determined based upon the value of the pension fund as of the prior April 1.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2017, the County reported a net pension liability of \$14,372,140 and \$429,240 for its proportionate share of the NYSERS net pension liability relating to governmental activities and business-type activities, respectively. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2017, the County's proportionate share was 0.1575248% for NYSERS relating to governmental activities and business-type activities, which was an increase from its proportionate share measured at December 31, 2016 of 0.1571934%.

For the year ended December 31, 2017, the County recognized pension expense of \$7,714,105 and \$230,391 relating to governmental activities and business-type activities, respectively. At December 31, 2017, the County reported deferred outflows/inflows of resources related to pensions from the following sources:

Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 360,153	\$ 2,182,490
Changes in assumptions	4,910,050	-
Net difference between projected and actual earnings on pension plan investments	2,870,699	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	10,477	1,443,539
Contributions subsequent to the measurement date	<u>4,533,587</u>	<u>-</u>
Total	<u>\$ 12,684,966</u>	<u>\$ 3,626,029</u>

7. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,756	\$ 65,183
Changes in assumptions	146,644	-
Net difference between projected and actual earnings on pension plan investments	85,737	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	312	43,112
Contributions subsequent to the measurement date	<u>135,401</u>	<u>-</u>
Total	<u>\$ 378,850</u>	<u>\$ 108,295</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources relating to pension expense for governmental activities and business type activities, respectively:

	Governmental Activities	Business-Type Activities
Plan's Year Ended March 31:	ERS	ERS
2018	\$ 2,201,771	\$ 65,758
2019	2,201,771	65,758
2020	2,113,377	63,118
2021	<u>(1,991,569)</u>	<u>(59,480)</u>
	<u>\$ 4,525,350</u>	<u>\$ 135,154</u>

The County recognized \$4,533,587 and \$135,401 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017, related to ERS for the governmental and business-type activities, respectively. These amounts will be recognized as a reduction of the net pension liabilities in the year ended December 31, 2018.

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

7. PENSION PLANS (Continued)

The actuarial valuation used the following actuarial assumptions for NYSERS:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

Long-term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36	4.55
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	-0.25
Inflation-Indexed Bonds	4	1.50
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. PENSION PLANS (Continued)

Sensitivity Analysis of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

Governmental Activities

	1% Decrease <u>6.0%</u>	Current Discount <u>7.0%</u>	1% Increase <u>8.0%</u>
ERS Proportionate Share of Net Pension liability (asset)	<u>\$ 45,901,768</u>	<u>\$ 14,372,140</u>	<u>\$ (12,286,101)</u>

Business-Type Activities

	1% Decrease <u>6.0%</u>	Current Discount <u>7.0%</u>	1% Increase <u>8.0%</u>
ERS Proportionate Share of Net Pension liability (asset)	<u>\$ 1,370,908</u>	<u>\$ 429,240</u>	<u>\$ (366,938)</u>

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2017 for ERS follow:

Total pension liability	\$ 177,400,586
Net position	<u>(168,004,363)</u>
Net pension liability (asset)	<u>\$ 9,396,223</u>
ERS net position as a percentage of total pension liability	94.7%

8. COMPENSATED ABSENCES

Vested vacation and sick leave and the respective FICA liability is recorded in proprietary funds as a liability and expensed when earned. In governmental funds it is recorded as a fund liability and expenditure if payable from current financial resources. At the end of 2017, the liability in the proprietary funds for compensated absences totaled \$306,568 and amounted to \$5,392,549 in the governmental activities. For the governmental activities, compensated absences are liquidated by all governmental funds incurring payroll-related costs, typically, the General, County Road and Road Machinery funds.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The County provides certain health care benefits for retired employees. The County administers the Retirement Benefits Plan (the Retirement Plan) as a single-employer defined benefit Other Post-employment Benefit (OPEB) Plan.

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

In general, the County provides health care benefits for those retired personnel who are eligible for a pension through the New York State Employees' Retirement System (NYSERS). The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees and spouses currently eligible to receive benefits at December 31, 2017 was 442. The Retirement Plan does not issue a stand-alone financial report since there are no assets legally segregated in a trust for the sole purpose of paying benefits under the plan. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Benefits Provided

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of the calculated premium cost ranges from 0% to 100%, depending on the retirement date and length of service. Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the remainder of their life. In most plans, actual medical claims paid are self-funded by the County. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees and spouses or beneficiaries currently receiving benefits	442
Active employees	<u>811</u>
Total participants	<u><u>1,253</u></u>

Net OPEB Liability

The County's net OPEB liability of \$55,823,486, \$54,146,949 for the governmental activities and \$1,676,537 for the business type funds, was measured as of January 1, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	5.0 percent per year
Payroll Growth	2.0 percent average
Discount Rate	3.78 percent as of January 1, 2017
Healthcare Cost Trend Rates	6.79 percent for 2017, decreasing by decrements to an ultimate rate of 5.0 percent for 2027 and later years' Retirees

The discount rate was based on "The Bond Buyer 20-Bond GO Index" as of the valuation date, which represents the average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

Mortality rates were based on RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>
Balance at January 1, 2017, as restated	\$ 48,655,107	\$ 47,186,453	\$ 1,468,654
Changes for the year-			
Service cost	1,899,461	1,844,377	55,084
Interest	1,900,326	1,845,217	55,109
Changes in assumptions or other inputs	4,751,658	4,613,859	137,799
Benefit payments	<u>(1,383,066)</u>	<u>(1,342,957)</u>	<u>(40,109)</u>
Net changes	<u>7,168,379</u>	<u>6,960,496</u>	<u>207,883</u>
Balance at December 31, 2017	<u>\$ 55,823,486</u>	<u>\$ 54,146,949</u>	<u>\$ 1,676,537</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.78%) or 1 percentage point higher (4.78%) than the current discount rate of 3.78%:

	1% Decrease <u>(2.78%)</u>	Current Discount <u>(3.78%)</u>	1% Increase <u>(4.78%)</u>
Total OPEB Liability	<u>\$ 43,133,210</u>	<u>\$ 55,823,486</u>	<u>\$ 31,391,638</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.79%) or 1 percentage point higher (7.79%) than the current healthcare cost trend rate of 6.79%:

	1% Decrease <u>(5.79%)</u>	Current Cost Trend <u>(6.79%)</u>	1% Increase <u>(7.79%)</u>
Total OPEB Liability	<u>\$ 46,914,369</u>	<u>\$ 55,823,486</u>	<u>\$ 67,319,234</u>

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the County recognized OPEB expense of \$3,689,593 and \$110,194 for the governmental activities and business-type funds. At December 31, 2017, the County reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>
Changes of assumptions	\$ 4,751,658	\$ 4,613,860	\$ 137,798
Benefit payments subsequent to measurement date	<u>1,499,823</u>	<u>1,456,328</u>	<u>43,495</u>
Total	<u>\$ 6,251,481</u>	<u>\$ 6,070,188</u>	<u>\$ 181,293</u>

The County recognized \$1,456,328 and \$43,495 for governmental activities and business-type funds, respectively, as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of January 1, 2017, which will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2018.

10. OTHER INFORMATION

Risk Retention

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has elected to be self-insured for workers' compensation claims, and accounts for this activity in an internal service fund. Other local municipalities, towns, and villages within the County are permitted to participate in this self-insured workers' compensation plan and are liable for their share of the plan's claims. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At December 31, 2017, the amount of these liabilities was \$5,950,823. The liability is the County's best estimate based on available information provided by the third party administrators, Corvel Claim Services and PERMA Inc.

The following represents changes in those aggregate liabilities for the fund for the past three fiscal years ended December 31:

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims & Changes <u>in Estimates (Net)</u>	Balance at Fiscal <u>Year End</u>
2017	\$ 5,750,104	\$ 200,719	\$ 5,950,823
2016	\$ 5,375,877	\$ 374,227	\$ 5,750,104
2015	\$ 5,916,564	\$ (540,687)	\$ 5,375,877

At December 31, 2017, to satisfy the estimated liability, the internal service fund had available \$9,873,970 of cash, a \$3,921,458 receivable from other County funds, plus a receivable of \$852,987 due from other local municipalities which participate in the County's Workers' Compensation Plan.

10. OTHER INFORMATION (Continued)

Risk Retention (Continued)

The County is also self-insured for unemployment insurance claims. This activity is accounted for in individual funds based on actual claims made. Claims totaled \$57,827 in 2017. The General Fund includes a restriction of fund balance for unemployment claims of \$335,038.

The County is also self-insured for medical and prescriptions for active employees and retirees under the age of 65. This activity is expensed to individual funds based on a calculated equivalent premium per employee. Accounts payable in the General Fund includes a liability for such unpaid claims in the amount of \$2,368,427 as of December 31, 2017. In addition, at December 31, 2017 an assignment of fund balance of \$3,000,000 exists for the purpose of paying large health care claims.

The County accounts for tort claims in the General Fund. Accrued liabilities in the General Fund include a liability for such claims in the amount of \$153,000 as of December 31, 2017. For the past three fiscal years insurance losses have not exceeded commercial insurance coverage.

The General Fund includes a fund balance restriction of \$2,078,884 for self-insurance for claims.

11. BOND ANTICIPATION NOTES

Short-Term Debt

Liabilities for bond anticipation notes (BANS) are generally accounted for in the General Fund, Capital Projects Fund, and the Enterprise Fund. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter. State Law requires that BANS issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANS issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

A BAN was issued on June 7, 2016 in the amount of \$150,000 for repairs to the equipment and ditches of the Upper Five Mile Creek watershed special district and carries an interest rate of 1.0%. This BAN matured on June 7, 2017. On June 7, 2017, a new BAN was issued for the Upper Five Mile Creek watershed special district in the amount of \$120,000 which carried an interest rate of 1.25%. This BAN will mature on June 7, 2018.

<u>Description</u>	<u>Outstanding</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>12/31/2017</u>
BAN, Issued 6/7/16	\$ 150,000	\$ -	\$ 150,000	\$ -
BAN, Issued 6/7/17	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
	<u>\$ 150,000</u>	<u>\$ 120,000</u>	<u>\$ 150,000</u>	<u>\$ 120,000</u>

12. LONG-TERM LIABILITIES

Long-Term Liabilities

A summary of government-wide long-term liabilities is detailed in the following schedule:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated Absences	\$ 5,475,864	\$ -	\$ (83,315)	\$ 5,392,549	\$ 2,001,513
Bonds Payable	2,995,000	4,000,000	(555,000)	6,440,000	900,000
Bonds Payable - STASC	28,657,790	-	-	28,657,790	-
Bond Discount - STASC	(458,974)	33,606	-	(425,368)	-
Accreted interest - STASC	6,732,329	907,436	-	7,639,765	-
Gov't activities total long-term debt	<u>\$ 43,402,009</u>	<u>\$ 4,941,042</u>	<u>\$ (638,315)</u>	<u>\$ 47,704,736</u>	<u>\$ 2,901,513</u>
Business-type Activities:					
Landfill closure/postclosure	\$ 13,610,631	\$ 547,920	\$ (295,906)	\$ 13,862,645	\$ -
Compensated absences	283,929	22,639	-	306,568	60,848
Bus-type activities total long-term debt	<u>\$ 13,894,560</u>	<u>\$ 570,559</u>	<u>\$ (295,906)</u>	<u>\$ 14,169,213</u>	<u>\$ 60,848</u>

The following is a summary of debt outstanding at the end of the year.

<u>Description</u>	<u>Purpose</u>	<u>Date Issued</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Final Maturity</u>	<u>Outstanding</u> <u>12/31/2017</u>
Correctional Facility	Refunded Jail Bonds	2/15/2015	\$ 3,535,000	3% & 4%	7/15/2021	\$ 2,440,000
New Office Facility	New Capital Bonds	6/15/2017	4,000,000	2%	6/15/2027	4,000,000
STASC	Tobacco Settlement	2005	<u>28,657,790</u>	Various	2060	<u>28,657,790</u>
	Total debt outstanding		<u>\$ 36,192,790</u>			<u>\$ 35,097,790</u>

12. LONG-TERM LIABILITIES (Continued)

Future Debt Service

The following tables summarizes the County's future debt service requirements:

Full Faith and Credit of County Pledged

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 900,000	\$ 214,350	\$ 1,114,350
2019	975,000	144,350	1,119,350
2020	1,005,000	112,800	1,117,800
2021	1,030,000	80,100	1,110,100
2022	400,000	46,600	446,600
2023 - 2027	<u>2,130,000</u>	<u>108,300</u>	<u>2,238,300</u>
Totals	<u>\$ 6,440,000</u>	<u>\$ 706,500</u>	<u>\$ 7,146,500</u>

Tobacco Asset Securitization Corp

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 2,277,761	\$ 2,277,761
2019	-	2,335,898	2,335,898
2020	-	2,408,952	2,408,952
2021	-	2,492,015	2,492,015
2022	400,000	2,569,363	2,969,363
2023-2027	2,700,000	13,960,116	16,660,116
2028-2032	3,600,000	16,451,074	20,051,074
2033-2037	5,055,000	20,200,982	25,255,982
2038-2042	6,575,000	26,080,479	32,655,479
2043-2047	4,725,000	35,043,574	39,768,574
2048-2052	1,090,190	47,818,576	48,908,766
2053-2057	1,188,760	62,174,516	63,363,276
2058-2061	<u>3,323,840</u>	<u>38,699,310</u>	<u>42,023,150</u>
Totals	<u>\$ 28,657,790</u>	<u>\$ 272,512,616</u>	<u>\$ 301,170,406</u>

The STASC future debt service schedule includes amounts for the capital appreciation bonds.

12. LONG-TERM LIABILITIES (Continued)

Future Debt Service (Continued)

At December 31, 2017, the total outstanding indebtedness of the County subject to the statutory debt limit aggregated \$6,440,000, which represented approximately 1.60% of this statutory debt limit.

Serial Bonds

The County borrows money in order to acquire land or equipment, or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit debt of the County, are recorded in the governmental activities statement of net position. The provision to be made in future budgets for indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. Enterprise fund debt is liquidated with enterprise income.

13. INTERFUND ACTIVITY

Interfund Balances

The County reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheet for governmental funds and the Statement of Net Position for proprietary funds. All interfund balances are considered a loan payable to the internal service fund for workers compensation charges.

Interfund balances at December 31, 2017 consisted of the following:

	Interfund	
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 444,853	\$ 2,498,129
County Road Fund	-	1,800,204
Internal Service Fund	3,921,458	-
Non-Major Funds	-	67,978
Total	<u>\$ 4,366,311</u>	<u>\$ 4,366,311</u>

13. INTERFUND ACTIVITY (Continued)

Interfund Balances (Continued)

Interfund balances are used:

- a) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them primarily;
- b) to move expenditures from chargeable funds to a single fund for disbursement, and;
- c) to compensate for the time lag between the dates that interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

Interfund Transfers

The County reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Interfund transfers for the year ended December 31, 2017, consisted of the following:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 8,681,457
County Road Fund	-	220,000
Capital Projects Fund	<u>8,901,457</u>	<u>-</u>
Total	<u>\$ 8,901,457</u>	<u>\$ 8,901,457</u>

Interfund Transfers are used:

- a) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and;
- b) to fund capital projects from operating funds.

14. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Enterprise Fund

The total capacity of the Bath Landfill was increased by 569,000 tons in 2005 when a 7.7 acre cell was completed and became operable. This cell is referred to as Cell #1 and is an overlay that ties into the south side of the existing Bath Landfill. In January 2010, an additional cell (Cell #2) was put into operation. In mid-2015 the third cell (Cell #3) was put into operation. The combined design capacity of the landfill is 2,934,743 tons. Based on a survey completed in December 2017 by Barton & Loguidice, the remaining air space capacity of the combined Bath Landfill was approximately 263,897 tons which represents an estimated remaining useful life of approximately 2.80 years. The Bath Landfill is estimated to be at 91% of the available capacity at December 31, 2017. In 2014, the Bath Landfill was re-permitted and the current permit expires in the year 2024.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as a liability in each period based on used landfill capacity as of each balance sheet date. Landfill activity is reported in an Enterprise Fund. The County has a liability recorded of \$13,862,645 that represents the landfill closure and post-closure care costs liability at December 31, 2017. The cumulative amounts reported to date are \$11,367,426 for the Bath Landfill and \$2,495,219 for the other closed landfills maintained by the County. Actual capital costs contributed to covering and maintaining the landfills reduce the total liability.

The liability for the Bath Landfill was increased by \$547,920 in 2017 as post-closure cost estimates were updated. The liability related to landfills that have already been closed was decreased by \$295,906 as post-closure maintenance and testing for these closed sites was incurred.

The total estimated cost for closure and post-closure care costs at the combined Bath Landfill is \$12,490,602. The County will recognize the remaining estimated cost as the remaining capacity of the landfill is utilized. These amounts are based on what it would cost to perform all closure and post-closure care during the current fiscal year. Actual costs may be different due to inflation, changes in technology, and/or changes in regulations.

15. FUND BALANCES

Generally accepted accounting principles require fund balance to be properly reported within one of the fund balance categories listed below.

- **Nonspendable**
Amount of fund balance that cannot be spent in the current period because of its form or because it must be maintained intact. As of December 31, 2017, the County's General Fund has \$2,001,844 of prepaid expenses and \$14,792 of inventories that were classified as nonspendable amounts.
- **Restricted**
Amounts that are subject to externally enforceable legal purposes, restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2017 the County had the following restricted amounts:

	General <u>Fund</u>	Capital <u>Projects</u>	<u>Non-major fund</u> Tobacco Asset <u>Securitization</u>
Restricted			
Unemployment insurance	\$ 335,038	\$ -	\$ -
Liability insurance	2,078,884	-	-
Health insurance	1,093,000	-	-
Building Repair & Renovation	3,886,402	-	-
Public Safety Building	75,105	-	-
Communication System	710,844	-	-
Forfeitures - D.A. and Sheriff	47,311	-	-
Stop D.W.I.	207,616	-	-
Occupancy Tax	461,517	-	-
Special Districts	235,331	-	-
Capital Projects	-	12,959,149	-
Debt Service	-	-	1,839,796
Miscellaneous	638	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Restricted	<u>\$ 9,131,686</u>	<u>\$ 12,959,149</u>	<u>\$ 1,839,796</u>

- **Committed**
Amounts that are subject to a purpose constraint imposed by a formal action of the Steuben County Legislature (the County's highest level of decision-making authority). As of December 31, 2017 the County did not have any balances considered to be committed.

15. FUND BALANCES (Continued)

- **Assigned**

Amounts that are subject to a purpose constraint that represents an intended use established by the County's Board of Legislators, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2017, the balances below were considered to be assigned:

	General	County Road	Non-major funds		
			Economic Development	Road Machinery	Tobacco Asset Securitization
Assigned					
For highway	\$ -	\$ -	\$ -	\$ 36,658	\$ -
For road and bridge supplies	-	419,700	-	-	-
For general gov't equipment and supplies	114,296	-	-	-	-
Appropriated for 2018 budget	6,340,378	620,000	40,000	-	-
Other spendable amounts	<u>3,000,000</u>	<u>1,151,507</u>	<u>740,064</u>	<u>280,390</u>	<u>88,553</u>
Total Assigned	<u>\$ 9,454,674</u>	<u>\$ 2,191,207</u>	<u>\$ 780,064</u>	<u>\$ 317,048</u>	<u>\$ 88,553</u>

Significant encumbrances are amounts encumbered in excess of \$100,000. As of December 31, 2017, there were no encumbrances in excess of this amount.

- **Unassigned**

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. As of December 31, 2017, the unassigned fund balance was \$62,876,811.

- **Order of Fund Balance Spending Policy**

The County's policy does not address the order of spending fund balances. The default would expend fund balances in the following order if all categories of fund balance were available: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

16. GASB 77 TAX ABATEMENT

The County has a number of real property tax abatement agreements entered into by both the Steuben County Industrial Development Agency (SCIDA), a component unit of the County, the Town of Erwin Industrial Development Agency (EIDA) and the Hornell City Industrial Development agency (HIDA) under Article 18-A of the real property tax law.

The SCIDA issues PILOT agreements, which will offer tax exemptions in return for the creation of economic development within the County. The SCIDA offers programs for various projects including manufacturing, warehouse, and distribution; agriculture; tourism, community development; retail; energy production; and housing. All projects are required to create or retain jobs, some increase property values, and increase local tax bases. The period of the tax exemption shall be no more than 40 years and shall have a maximum initial abatement of 100%.

16. GASB 77 TAX ABATEMENT (Continued)

The SCIDA may recapture the value of all or any exemptions granted if any one of the following items occur: Sale or closure of facility; significant employment reduction, significant change in use of the facility; significant change in business activities of the project applicant or operator; material noncompliance with or breach of terms of SCIDA transaction documents or of zoning or land use laws or regulations; federal, state or local environmental laws or regulations; or failure to comply with Section 875(3) of the General Municipal Law.

The HIDA and EIDA offer PILOT agreements, which offer tax exemptions under various programs in return for economic development within the City of Hornell and Town of Erwin.

The HIDA and EIDA may recapture the value of all or any exemptions granted if any one of the following items occur: Sale or closure of facility; significant employment reduction, significant change in use of the facility; significant change in business activities of the project applicant or operator; material noncompliance with or breach of terms of HIDA or EIDA transaction documents or of zoning or land use laws or regulations; federal, state or local environmental laws or regulations.

The following is a listing of PILOT agreements in place at December 31, 2017:

<u>Municipality</u>	<u>Number of Parcels</u>	<u>2017 PILOT Payments</u>	<u>2017 Calculated Taxes</u>	<u>2017 County Taxes Abated</u>
Town of Erwin	31	\$ 393,273	\$ 676,346	\$ 283,073
Total Erwin IDA		<u>393,273</u>	<u>676,346</u>	<u>283,073</u>
City of Hornell	30	140,128	235,410	95,282
Town of Hornellsville	4	662	2,864	2,202
Total Hornell IDA		<u>140,790</u>	<u>238,274</u>	<u>97,484</u>
City of Corning	32	582,989	795,547	212,558
Town of Bath	4	150,302	300,744	150,442
Town of Cameron	2	63,375	61,275	(2,100)
Town of Campbell	5	137,477	181,414	43,937
Town of Canisteo	1	40,915	25,926	(14,989)
Town of Cohocton	53	228,080	1,286,173	1,058,093
Town of Corning	9	76,906	331,259	254,353
Town of Greenwood	2	2,265	4,472	2,207
Town of Howard	28	85,645	695,946	610,301
Town of Jasper	16	57,464	340,918	283,454
Town of Urbana	1	1,168	1,478	310
Town of Wayland	6	96,448	131,182	34,734
Village of Arkport	6	22,014	17,880	(4,134)
Village of Bath	6	16,334	45,740	29,406
Village of Painted Post	3	10,322	29,214	18,892
Village of Riverside	2	19,498	22,904	3,406
Village of Savona	1	824	1,168	344
Village of Wayland	2	289	438	149
Total Steuben County IDA		<u>\$ 1,592,315</u>	<u>\$ 4,273,678</u>	<u>\$ 2,681,363</u>

16. GASB 77 TAX ABATEMENT (Continued)

The following is a listing of properties owned by an Industrial Development Agency or Housing Authority for which no PILOT agreement in place at December 31, 2017:

<u>Municipality</u>	<u>Number of Parcels</u>	<u>2017 Assessed Value</u>	<u>2017 County Calculated Taxes</u>
City of Corning	1	\$ 430,000	\$ 3,720
City of Hornell	41	12,130,900	105,781
Town of Avoca	2	52,300	459
Town of Bath	6	376,221	7,413
Town of Erwin	4	312,000	1,769
Town of Hornellsville	5	12,600	102
Town of Urbana	2	108,800	604
Town of Wayland	1	58,000	442
Village of Avoca	2	25,900	246
Village of Bath	5	8,195,995	159,002
Village of Cohocton	5	281,200	2,806
Village of Hammondsport	1	7,500	66
		<u>\$ 21,991,416</u>	<u>\$ 282,410</u>

The SCIDA also offers sales and use tax exemptions on the purchase of materials, equipment rentals and purchases of project related equipment. Mortgage recording exemptions are also available on all project related financing or refinancing. The amount of sales tax and mortgage recording exemptions for the year ended December 31, 2017 were \$611,111.

The HIDA also offers sales and use tax exemptions on the purchase of materials, equipment rentals and purchases of project related equipment. Mortgage recording exemptions are also available on all project related financing or refinancing. The amount of sales tax and mortgage recording exemptions for the year ended December 31, 2017 were \$264,116.

17. JOINT VENTURES

The following are activities undertaken jointly with other municipalities and are excluded from the financial statements.

Southern Tier Central Regional Planning and Development Board (the Board) - The Counties of Steuben, Chemung and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that the participants' share of the cost shall be prorated as agreed upon by the member counties. In 2017, the County of Steuben contributed \$85,000. Audited financial statements for the Board may be obtained from the Administrative Offices of the Board located at 8 Denison Parkway East, Suite 310, Corning, NY 14830.

Corning Community College Region (the College) - The County became a co-sponsor of the Corning Community College Region pursuant to a resolution of the County Legislature adopted on December 17, 1984. As a result, the County assumed joint sponsorship with the counties of Chemung and Schuyler. The College had formerly been sponsored by the Corning City School District. Three persons appointed by the Steuben County Legislature represent the County on the Regional Board of Trustees. In 2017, Steuben County expended \$2,943,559 in residential tuition, which was based on capital and operating costs. Separate financial statements for the College may be obtained by contacting the administrative office of Corning Community College, 1 Academic Drive, Corning, NY 14830-3297.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF STEUBEN, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL - GENERAL FUND - (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>		<u>Expenditures Budgetary Basis</u>		<u>Variance with Modified Budget</u>
	<u>Original</u>	<u>Modified</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Positive (Negative)</u>
REVENUES					
Real property taxes	\$ 25,650,109	\$ 25,650,109	\$ 25,696,817	\$ -	\$ 46,708
Real property tax items	3,752,800	3,752,800	4,316,338	-	563,538
Non-property tax items	47,079,302	53,186,660	57,544,395	-	4,357,735
Departmental income	12,699,687	12,715,581	12,776,535	-	60,954
Intergovernmental services revenue	2,164,858	2,164,858	1,692,971	-	(471,887)
Use of money and property	2,494,200	2,494,200	2,742,356	-	248,156
Licenses and permits	2,000	2,000	1,730	-	(270)
Fines and forfeitures	228,928	228,928	280,791	-	51,863
Sale of property/compensation for loss	50,062	50,062	79,068	-	29,006
Miscellaneous local sources	677,254	1,200,164	1,788,203	-	588,039
Interfund revenues	1,429,766	1,429,766	1,297,706	-	(132,060)
State aid	20,938,354	20,891,248	20,098,611	-	(792,637)
Federal aid	21,782,082	22,842,594	20,025,799	-	(2,816,795)
Total revenues	138,949,402	146,608,970	148,341,320	-	1,732,350
EXPENDITURES					
General government	27,625,936	34,633,759	30,967,727	28,202	3,637,830
Education	8,870,000	8,870,000	8,290,529	-	579,471
Public safety	20,626,235	21,923,438	20,773,841	72,589	1,077,008
Health	14,966,535	15,105,039	14,125,753	254	979,032
Transportation	415,500	418,500	418,331	-	169
Economic assistance and opportunity	68,188,650	66,209,208	60,638,373	11,065	5,559,770
Culture and recreation	638,686	644,296	604,776	2,185	37,335
Home and community services	1,292,831	1,939,076	1,110,593	-	828,483
Employee benefits	335,850	-	-	-	-
Debt service	669,250	669,250	669,250	-	-
Total expenditures	143,629,473	150,412,566	137,599,173	114,295	12,699,098
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(4,680,071)	(3,803,596)	10,742,147	(114,295)	14,431,448
Transfers out	(2,110,746)	(8,669,097)	(8,681,457)	-	(12,360)
Total other financing sources (uses)	(2,110,746)	(8,669,097)	(8,681,457)	-	(12,360)
CHANGE IN FUND BALANCE	\$ (6,790,817)	\$ (12,472,693)	2,060,690	\$ (114,295)	\$ 14,419,088
FUND BALANCE - beginning of year			81,419,117		
FUND BALANCE - end of year			\$ 83,479,807		

COUNTY OF STEUBEN, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL - COUNTY ROAD FUND - (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>		<u>Expenditures Budgetary Basis</u>		<u>Variance with Modified Budget</u>
	<u>Original</u>	<u>Modified</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Positive (Negative)</u>
REVENUES					
Real property taxes	\$ 16,713,837	\$ 16,713,837	\$ 16,713,837	\$ -	\$ -
Intergovernmental charges	33,000	33,000	78,955	-	45,955
Use of money and property	5,000	5,000	(3,801)	-	(8,801)
Sale of property/compensation for loss	90,000	90,000	66,205	-	(23,795)
Miscellaneous revenue	17,000	17,000	6,791	-	(10,209)
State and federal aid	5,440,968	6,083,537	6,083,537	-	-
TOTAL REVENUE	<u>22,299,805</u>	<u>22,942,374</u>	<u>22,945,524</u>	<u>-</u>	<u>3,150</u>
EXPENDITURES					
Transportation	<u>22,284,805</u>	<u>22,920,102</u>	<u>21,571,178</u>	<u>419,700</u>	<u>929,224</u>
TOTAL EXPENDITURES	<u>22,284,805</u>	<u>22,920,102</u>	<u>21,571,178</u>	<u>419,700</u>	<u>929,224</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>15,000</u>	<u>22,272</u>	<u>1,374,346</u>	<u>(419,700)</u>	<u>932,374</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(15,000)</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (197,728)</u>	<u>1,154,346</u>	<u>\$ (419,700)</u>	<u>\$ 932,374</u>
FUND BALANCE - beginning of year			<u>1,036,861</u>		
FUND BALANCE - end of year			<u>\$ 2,191,207</u>		

COUNTY OF STEUBEN, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability										
Service cost	\$ 1,899									
Interest	1,900									
Changes of benefit terms	-									
Changes in assumptions and differences between actual and expected experience	4,752									
Benefit payments	(1,383)									
Total change in total OPEB liability	<u>7,168</u>									
Total OPEB liability - beginning	<u>48,655</u>									
Total OPEB liability - ending	<u>\$ 55,823</u>									
Covered-employee payroll	\$ 41,581									
Total OPEB liability as a percentage of covered- employee payroll	134.3%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.78%	4.00%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Changes of Assumptions

The actuarial cost method has been updated from Projected Unit Credit to Entry-Age-Normal as a Percentage of Salary, which caused a increase in liabilities.

The inflation rates have been reset to an initial rate of 6.79% decreasing by decrements to an ultimate rate of 5.00% in 2027 and beyond, which caused a decrease in liabilities.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

COUNTY OF STEUBEN, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS - (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 5,890	\$ 6,067	\$ 6,044							
Contributions in relation to the contractually required contribution	5,890	6,067	6,044							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 41,302	\$ 38,724	\$ 38,480							
Contributions as a percentage of covered-employee payroll	14.26%	15.67%	15.71%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) - (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN			
Proportion of the net pension liability (asset)	0.16%	0.16%	0.18%
Proportionate share of the net pension liability (asset)	\$ 14,801	\$ 25,229	\$ 6,140
Covered-employee payroll	\$ 41,302	\$ 38,724	\$ 38,480
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.84%	65.15%	15.96%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.70%	97.90%

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION

COUNTY OF STEUBEN, NEW YORK

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017**

	<u>Economic Development</u>	<u>Road Machinery</u>	<u>Debt Service</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS				
Cash, cash equivalents and investments	\$ 780,064	\$ 506,777	\$ 88,553	\$ 1,375,394
Other Receivables	-	-	1,526,860	1,526,860
Due from other governments	-	43,596	-	43,596
State and federal receivables	-	100,000	-	100,000
Assets whose use is limited	-	-	1,839,796	1,839,796
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 780,064</u>	<u>\$ 650,373</u>	<u>\$ 3,455,209</u>	<u>\$ 4,885,646</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	221,445	-	221,445
Accrued liabilities	-	43,902	-	43,902
Due to other funds	-	67,978	-	67,978
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>333,325</u>	<u>-</u>	<u>333,325</u>
DEFERRED INFLOW OF RESOURCES				
Tobacco settlement revenue	-	-	1,526,860	1,526,860
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>-</u>	<u>1,526,860</u>	<u>1,526,860</u>
FUND BALANCES				
Restricted	-	-	1,839,796	1,839,796
Assigned	780,064	317,048	88,553	1,185,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>780,064</u>	<u>317,048</u>	<u>1,928,349</u>	<u>3,025,461</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
	<u>\$ 780,064</u>	<u>\$ 650,373</u>	<u>\$ 3,455,209</u>	<u>\$ 4,885,646</u>

COUNTY OF STEUBEN, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Economic Development</u>	<u>Road Machinery</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Real property taxes	\$ -	\$ 489,449	\$ -	\$ 489,449
Use of money and property	824	(1,769)	20,225	19,280
Sale of property and compensation for losses	-	55,832	-	55,832
Tobacco settlement revenues	-	-	1,267,118	1,267,118
Miscellaneous	-	33,141	-	33,141
Interfund revenues	-	2,576,040	-	2,576,040
State aid	160,000	100,000	-	260,000
	<u>160,824</u>	<u>3,252,693</u>	<u>1,287,343</u>	<u>4,700,860</u>
Total revenues				
EXPENDITURES				
Current -				
General government	-	-	80,826	80,826
Transportation	-	4,139,182	-	4,139,182
Home and community services	195,000	-	-	195,000
Debt Service -				
Interest	-	-	1,256,500	1,256,500
	<u>195,000</u>	<u>4,139,182</u>	<u>1,337,326</u>	<u>5,671,508</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(34,176)</u>	<u>(886,489)</u>	<u>(49,983)</u>	<u>(970,648)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
CHANGE IN FUND BALANCE	<u>(34,176)</u>	<u>(886,489)</u>	<u>(49,983)</u>	<u>(970,648)</u>
FUND BALANCE - beginning of year	<u>814,240</u>	<u>1,203,537</u>	<u>1,978,332</u>	<u>3,996,109</u>
FUND BALANCE - end of year	<u>\$ 780,064</u>	<u>\$ 317,048</u>	<u>\$ 1,928,349</u>	<u>\$ 3,025,461</u>

COUNTY OF STEUBEN, NEW YORK

**COMBINING STATEMENT OF NET POSITION - PRIVATE PURPOSE TRUST FUNDS
AS OF DECEMBER 31, 2017**

	<u>Fairview Cemetery</u>	<u>County Jail Inmate Fund</u>	<u>Total Private Purpose Trust Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,000	\$ 309,240	\$ 310,240
Total assets	<u>1,000</u>	<u>309,240</u>	<u>310,240</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>228</u>	<u>228</u>
Total liabilities	<u>-</u>	<u>228</u>	<u>228</u>
NET POSITION			
Held in trust for other purposes	<u>1,000</u>	<u>309,012</u>	<u>310,012</u>
Total net position	<u>1,000</u>	<u>309,012</u>	<u>310,012</u>
TOTAL NET POSITION	<u>\$ 1,000</u>	<u>\$ 309,240</u>	<u>\$ 310,240</u>

COUNTY OF STEUBEN, NEW YORK

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Fairview Cemetery</u>	<u>County Jail Inmate Fund</u>	<u>Total Private Purpose Trust Funds</u>
ADDITIONS:			
Interest earnings	\$ 5	\$ -	\$ 5
Other revenue	-	58,548	58,548
	<u>5</u>	<u>58,548</u>	<u>58,553</u>
DEDUCTIONS:			
Home and community services	5	-	5
Public safety	-	19,609	19,609
	<u>5</u>	<u>19,609</u>	<u>19,614</u>
CHANGE IN NET POSITION	-	38,939	38,939
NET POSITION - beginning of year	<u>1,000</u>	<u>270,073</u>	<u>271,073</u>
NET POSITION - end of year	<u>\$ 1,000</u>	<u>\$ 309,012</u>	<u>\$ 310,012</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 10, 2018

To the Board of Legislators of the
County of Steuben, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Steuben, New York (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 10, 2018. Our report includes a reference to another auditor who audited the financial statements of the Steuben County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include the results of the auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.